



UNIVERSITÀ  
DEGLI STUDI  
FIRENZE

DOTTORATO DI RICERCA IN  
Politica ed Economia dei Paesi in Via di Sviluppo  
CICLO XXV

COORDINATORE Prof. Donato Romano

## **Chinese Economic Reforms and Social Change: Effects on Internal Migrants' Well-being**

Settore Scientifico Disciplinare: **SECS-P/02 13/A02**

**Dottoranda**

Dott.ssa Ambra Collino

---

**Tutore**

Prof. Mario Biggeri

---

**Coordinatore**

Prof. Donato Romano

---

Anno 2010/2013

## Acknowledgements

*I owe special thanks to Professor Mario Biggeri for his guidance, valuable suggestions and help.  
I thank Prof. Cai Fang, Prof. Zhang Juwei and Prof. Zhou Huanhuai for their support during the  
visiting program in Beijing and the fieldwork in Wenzhou.*

*I wish to thank Federico Ciani for his very useful suggestions and help.  
I wish also to thank my PhD fellows, in particular Lucia, for their support and help.*

*I thank my family, without which this thesis, probably, would have never been finalized.  
I owe very special thanks to my friends Alessandra, Chiara and all the “Amicina” for  
their patience and support during the my PhD.*

*Finally, a special thank goes to Yung Ta and to my sister Valentina.*

*To my family*

# Chinese Economic Reforms and Social Change: Effects on Internal Migrants' Well-being

Ambra Collino

## Table of contents

<b>Introduction: Chinese Economic Reforms, Migration Issues and Subjective Well-being</b>	<b>1</b>
References	6
<b>Paper I: Chinese Economic Reforms: Social Change and Challenges</b>	<b>8</b>
1. Introduction: the “hard” reality and the “ <i>Chinese dream</i> ”	9
2. Overview of Structural Economic Reforms (1978-2012)	12
3. The Social Policy of China’s Economic Transformation (2000-2012)	20
3.1 Social security system	20
3.2 <i>Hukou</i> system	23
3.3 Education	26
3.4 Public health	28
3.5 Labor market	33
4. Chinese politics and culture: empirical evidence from an opinion poll	37
4.1 Theoretical background	37
4.2 Studies review on public opinion survey in China	39
4.3 Case study on Chinese scholars public opinion: evidence from an online survey	44
5. Final remarks	49
References	51
Appendix	55

**Paper II: Life Satisfaction in Contemporary China: an Empirical Analysis Using World Value Survey 58**

1. Introduction	59
2. Conceptual framework: the debate on SWB, Happiness, LSA and the determinant of LS	61
2.1 Well-being and Life satisfaction: Empirical answers to philosophical question	61
2.2 Easterlin paradox	67
2.3 Determinants of Subjective well-being	69
3. Main debates and criticism on Happiness and LSA studies	71
4. China's life satisfaction: review of the empirical studies	73
5. China's life satisfaction before and after recent reforms: an empirical analysis	75
5.1 An interpretative model	76
5.2 Estimation procedure	76
5.3 Data and descriptive statistics	77
5.4 Regression results	81
6. Final remarks	83
References	85

**Paper III: Determinants of Chinese Internal Migrants Life Satisfaction: Empirical Evidence from Beijing 90**

1. Introduction	91
2. Background	95
2.1 Structural reforms, labor market and migration in China: the case of Beijing	95
2.2 The characteristics of Beijing economic system	98
3. Internal migration, Subjective Well-being and Life Satisfaction trends in China	99
3.1 Literature review	99
3.2 The determinants of LS of Chinese internal migrants	101
4. An explorative empirical analysis on the determinants of migrants versus non migrants workers in Beijing	103
4.1 The interpretative model	103
4.2 Research design: sampling, data collection and descriptive analysis	104
4.3 Descriptive Statistics	106
4.4 Estimation procedure	112
4.4 Results	113

5. Final remarks	115
References	117
Appendix	121
 <b>Paper IV: Chinese Trade Union Role and Functions: A case study on labor conditions into Italian Firms in Jiangsu Province</b>	 <b>123</b>
1. Introduction	124
2. Chinese Trade Union	127
2.1 Historical origin	127
2.2 Trade Union Structure and Functions	128
2.3 Trade Union role and labor issues	132
3. Case study on FDIs in Jiangsu province	135
3.1 Field research: methodology and sample selected	135
3.2 Italian FDIs profile in China	138
4. Main findings	141
4.1 Firms profile	141
4.2 Focus on employees: profile and type of contract	144
BOX 1: Nanjing IVECO case	151
5. Final remarks	152
	154
References	
Appendix I: Original questionnaires (GM and employees)	158

# **Introduction**

## **Chinese Economic Reforms, Migration Issues and Subjective Well-being**

The reforms in China over the past 35 years have transformed the nature of employment in the world's most populous country. The end of 'iron-rice bowl' and gradual marketization of Chinese economy, allowed rapid growth in a range of industries (Biggeri, 2006). This, in turn, stimulated an outstanding growth and transformation of the urban and rural economy, greatly expanding the manufacturing sector and further increasing the need for cheap labor (Xu, 2013) mainly in coastal rural and urban areas (Hirsch, 2005). These pull factors also occurred as increasing surpluses of agricultural labor and growing income gaps between urban factory and rural farm workers further disincentive remaining in rural areas and for internal migration (Meng, 2001). These developments, as well as increased labor mobility, have resulted in a massive expansion in the employment of rural migrants – workers whose residence is rural but who typically move to the coastal cities and rural industrialized areas for much of the year for employment opportunities (Rush, 2011).

In China, a critical debate relates to the current patterns of internal migration, which has been described as the largest migration flow in history (Zhao, 1999). Internal migrants can be considered one of the main drivers of China's economic miracle and still play a key role in Chinese development and labor market (Biggeri, 2007). According to the official statistics, the size of the migrant population was estimated as 253 million in 2011 (i.e. 18.8% of the total population), with 159 million migrants working outside the province of origin and 94 million migrants working inside their provinces for more than six months a year, accounting for more than 20% of the labor force in the urban areas.

Several surveys report that when they work in the same position of a local worker, they usually receive a lower pay (Meng and Zhang, 2001); that they usually bear poor working conditions and long hours working (according to a survey conducted by Chan in Guangdong, migrant workers usually work between 11 to 14 hours per day), they seldom have labor contracts and usually lack of trade unions protection. Such strategy was tightly combined with the exploitation of unorganized and unprotected migrant workers (Hirsch, 2005). Labor standards are a complex and multi-faceted issue which usually refer to a set of workers' conditions and rights concerning wages, working hours

and work intensity, occupational safety and health hazards. Therefore, rural-urban migrants often lead difficult lives, in terms of occupational, wage discrimination, access limitation to urban services, social exclusion and isolation from the urban community (Chan, 2003).

Moreover, considering its development and heterogeneity, China can be considered a unique case to study migrants well-being.

It is well known that migration has long been a mechanism for those in search of better opportunities and a 'good life' (Constant and Zimmermann, 2013). The point is if this desire of a 'good life' becomes a reality for Chinese internal migrants?

Henceforth, for political, economic, and ethical reasons, internal migration has an important place among scholars' and academicians' debates and for policy makers. Despite the importance of its social and economic implications, still little is known about internal migration, the living conditions and life satisfaction of floating population and their impact on the origin and destination places. This is partially due to the fact that the research on this sensitive issue is not simple and, furthermore, there are several difficulties related to the data and the reliability of official statistics.

Considering the limited studies carried out on subjective well-being in China and the need to deepen the analysis of Chinese floating population, this thesis aims to focus on Chinese economic reform and to explore what determines life satisfaction of Chinese people with a particular attention on internal migrants.

Different phenomena can be considered as crucial while analyzing internal migration dynamics in China and internal migrants well-being.

The studies on subjective wellbeing became so popular attracting so much attention because these measures are reliable sources of information on individual's wellbeing and provide interesting insights about modern societies (Sarracino, 2011). These measures have been applied in various domains – from macro to microeconomics, from policy evaluation to the study of unemployment, from the analysis of political institutions to the study of ageing, gender and marital conditions – unveiling interesting stories (Alesina et al., 2004; Clark and Oswald, 1994; Frey and Stutzer, 2006).

Does economic growth make people happier over time? Contrary to the common belief that stronger economies are the key to better lives, the available evidence suggests that economic growth does not significantly improve people's wellbeing (Easterlin, 1974). Although this finding – commonly referred to as the "Easterlin paradox" – has been challenged, other recent studies have provided further evidence corroborating the



existence of the paradox (Bruni and Stanca, 2008).

Xi Jinping, the new head of the Party, following the World Bank's and Chinese Development Research Center's (DRS) publication "*China 2030*", seems to give more importance on subjective-well-being related issues, adopting a new vision of China's future development.

He has evoked the slogan "*Chinese dream*" to break up with his predecessors emphasizing on balanced development, sustainable growth and focus on "weak" groups (such as floating population). His main objective is to prevent the country from falling into "middle income trap", characterized by a slowdown of fast-growing economies, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low income, low wage economies in the cheap production of manufactured goods. This phenomenon occurs when a country's growth plateaus and eventually stagnates after reaching middle income levels. The problem usually arises when developing economies find themselves stuck in the middle, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low income, low wage economies in the cheap production of manufactured goods.

As a matter of fact, nowadays the number of new migrants is declining because of life satisfaction and happiness (see for instance, Heerink, 2013). The recent change in focus of urbanization policy has led to a rapid shift in migrant destination; in order to avoid pollution, congestion and other typical problems of mega size (mainly coastal) cities, which are becoming unmanageable, the Chinese government is thus now focusing on rising, developing second and third tier Chinese cities, through massive infrastructural projects, following the so called "Go west" policy (Zhu, 2012). According to several authors including Kam Wing Chan (2010), on the one side, there are reports of migrant labor shortages; on the other side, estimates suggest that a considerable volume of relatively unskilled labor is still available in the agricultural sector, which is called "a China paradox" and needs to be paid more attention to. However, Fang Cai and other scholars insist that surplus agricultural labor in China is so small that it's negligible. Fang Cai (2011) points out that some confusion exists in the Chinese statistics and that some scholars are trapped in "the tyranny of numbers" (Zhu, 2012).

Since China is running out of cheap labor from the countryside and is facing a demographic change and increasing dependency ratio (Cai, 2011), this new vision and

the involvement of Chinese government think-tank, exemplifies current political and economic stage and debate.

The thesis is divided into four papers.

The *first* paper aims at analyzing latest welfare reforms, providing a deep overview of structural economic and social reforms in contemporary China. The main aim of this paper is to go behind the Chinese economic success, focusing in particular on dramatic social effects of the reforms on the population, specifically on the internal migrants. The analysis takes into account different perspectives and it is also based on a survey, whose theoretical background is attributable to Hofstede's research. This empirical study has involved Chinese scholars' associations, providing a first evaluation of recent reforms in China. The methodology used in this paper are in first place the literature review and analysis and secondly an opinion poll on the reforms issues, involving 44 Chinese scholars and researchers. The object of this survey is to understand academicians perspective and opinions on current economic and social situation in China.

The *second* paper explores the determinants of Chinese life satisfaction before and after the reforms in the last two decades analyzing the data collected by the World Value Survey. Providing a short literature review on economic growth- happiness puzzle and analyzing subjective well-being related theories including Easterlin paradox, it can be considered as my thesis theoretical framework of analysis. Using World Value Survey Data on China, it explores Chinese people's life satisfaction determinants using an *ordered logit* model.

The *third* paper concerns the determinants of the well-being of Chinese internal migrants in Beijing. Since the World Value Survey dataset doesn't collect data on floating population and, considering that rural-urban migrants can be taken as "marginalized" groups and the lack of official data, we decided to carry out a survey in Beijing obtaining original data. The survey, conducted from August to December 2012, has been developed during the visiting program at the Chinese Academy of Social Sciences (CASS), Department of Population and Labor Studies in Beijing, which has supported the research during all the different phases. An econometric analysis is carried out accordingly to explore the determinants of LS.

In the *fourth* paper, taking into account the importance of labor related issues and the role played by internal migrants inside Chinese labor market, deepens recent labor market reforms, focusing on the role played by the Chinese labor trade union (ACFTU, All-China Federation of Trade Unions) in collective bargaining process and inside labor

market, providing a profile of employees working in Italian companies in Jiangsu province. This paper has two main objectives: on the one hand providing a clear and detailed background of the latest labor union reforms and current issues, on the other hand trying to understand labor force conditions in Italian companies settled in Jiangsu province. An ad-hoc survey has been carried out together with the Chinese Academy of Social Sciences, the Jiangsu Trade Union, CGIL Toscana and the NGO Sviluppo 2000 and. A specific focus has been made on migrant employees in those companies, in order to understand if their working conditions differ from other workers.

## References

- Alesina, A., Di Tella, R., and MacCulloch, R., 2004. Inequality and happiness: are Europeans and Americans different? *Journal of Public Economics*, 88(9):2009–2042.
- Becchetti, L., Trovato, G., and Bedoya, D. (2011). Income, relational goods and happiness. *Applied Economics*, 43(3):273–290.
- Biggeri M., 2007. China in perspective: from economic 'miracle' to human development?, *Globalization and Development: a Handbook of New Perspective*
- Biggeri M., 2006. L'industrializzazione della Cina: fasi storiche e varietà geografiche. In Di Tommaso R. M., Bellandi M. 2006. *Il Fiume delle Perle: La dimensione dello sviluppo industriale cinese e il confronto con l'Italia*. Rosenberg & Seller
- Blanchflower, D. and Oswald, A., 2004a. Money, sex and happiness: An empirical study. *The Scandinavian Journal of Economics*, 106(3):393–415.
- Blanchflower, D., 2008. International evidence on wellbeing. *IZA Discussion Papers*, (3354).
- Bruni, L. and Stanca, L., 2008. Watching alone: relational goods, television and happiness. *Journal of Economic Behavior and Organization*, 65 (34): 506 – 528.
- Cai F., Freeman R. e Wood A., 2011. China's Employment Policies in International Perspective , in “*Medium and Long Term Development and Transformation Of the Chinese Economy. An International Perspective*”, Beijing Cairncross Economic Research Foundation.
- Chan A., 2003, Globalisation and China's 'Race to the Bottom' in Labour Standards, *China Perspectives*, n.46, March-April 2003, pp.41-50. Cai F., 2000, “The Invisible Hand and Visible Feet: Internal Migration in China”, *World Economy and China*, n.5.
- Clark, A. and Oswald, A., 1994. Unhappiness and unemployment. *Economic Journal*, 104: 648 –659.
- Constant F.A., Zimmermann F.K., International handbook on the economics of migration, 2013. Temple University US and IZA Bonn.
- Di Tommaso R. M., Bellandi M. 2006. *Il Fiume delle Perle: La dimensione dello sviluppo industriale cinese e il confronto con l'Italia*. Rosenberg & Seller
- Diener, E., Lucas, R., Schimmack, U., and Helliwell, J. (2009). *Wellbeing for public policy*. Oxford University Press, New York.
- Easterlin, R., 1974. Does economic growth improve the human lot? some empirical evidence. In David, P. and Melvin, W., editors, *Nations and households in economic growth*, 98 – 125. CA: Stanford University Press, Palo Alto.
- Frey, B. and Stutzer, A., 2006. Should We Maximize National Happiness?, Institute for Empirical Research in Economics, Zurich.
- Heerink, N., Wang, H., Pan, L., 2013. Working Conditions and Job Satisfaction of China's New Generation of Migrant Workers: Evidence from an Inland City. Discussion paper 7405, Institute for the Study of Labor (IZA).

- Hirsch, G., 2005. Internal Labour Migration in China: Social and Economic Implications for the Guangdong Province, PhD Thesis. Doctorate in Politics and Economics of Developing Countries, Florence (Italy): University of Florence.
- Kahneman, D. and Krueger, A., 2006. Developments in the measurement of subjective wellbeing. *Journal of Economic Perspectives*, 20: 3 – 24.
- Kam, W.C., 2012. Migration and development in China: trends, geography and current issues, *Migration and Development*, 1:2, 187-205
- Knight, J., Gunatilaka R., 2008. Aspirations, Adaptation and Subjective Well-being of Rural–Urban Migrants in China. Discussion Paper Number 381, University of Oxford.
- Meng,X., 2000. Labour Market Reform in China. Cambridge University Press, Cambridge.
- Rush, A., 2011. China's Labor Market. China's Labor Market Bulletin, September Quarterly 2011
- Sarracino, F., 2011. Money, sociability and happiness: Are developed countries doomed to social erosion and unhappiness? *Social Indicators Research*, 1 – 54.
- Xu, H., 2013. The Causal Effects of Rural-to-Urban Migration on Children's Wellbeing in China, University of Michigan.
- Zhao, Yaohui.1999. "Labor Migration and Earnings Differences: The Case of Rural China," *Economic Development and Cultural Change* 47: 767 – 82.
- Zhu, A., Cai, W., 2012. The Lewis Turning Point in China and its Impacts on the World Economy. AUGUR Working Paper.

## Paper I

# Chinese Economic Reforms: Social Changes and Challenges

### Abstract

China has made great progress since three decades ago, started the transition process to a market economy. After the extraordinary modernization process that has taken place, China economic maturity is increasingly evident, alongside the problems and the challenges that maturity brings.

Factor utilization and net export growth will no longer be the primary drivers of growth.

China's new generation of leaders have in front a number of pressing issues awaiting including continued urbanization, high levels of income inequality and a poor welfare system. The paramount question is how China can avoid the so-called "middle-income trap", characterized by a stagnating economy after reaching middle income levels. The problem usually arises when developing economies find themselves stuck in the middle being not able to compete with developed countries. Through the analysis of the latest welfare reforms, the main aim of this paper is to go behind the Chinese economic success, in order examine the dramatic social effects on the population and, in particular, on the internal migrants. The analysis takes into account different perspectives and it is also based on an opinion poll, whose theoretical background is attributable to Hofstede's research and Ren's studies review on China's public opinion surveys. This empirical study has involved 44 Chinese scholars' and provides an first evaluation of recent reforms in China.

*JEL Classification:* O15, I00, I38 , J00

*Keywords:* China, welfare, rural-urban migration, *hukou*, labor policy, inequality, culture

## 1. Introduction: the “hard” reality and the “Chinese dream”

Xi Jinping, the new head of the Party, has evoked the slogan “*Chinese dream*” to break up with his predecessors emphasizing on national greatness, balanced development and sustainable growth. The mission of Xi Jinping is to adapt the party structure and mission to China’s current issues and development path.

A deeper analysis on this declaration can make us understand which are the current issues in Chinese society: the key target of Mr. Xi’s route change, according to Pieke (2012), is “*social management*” (社会管理), which implies a completely different perspective on current issues in China, through the creation of a series of institutions, which could ensure stability, balanced development, letting Chinese citizens living and working in peace and happiness in a favorable environment<sup>1</sup>.

Furthermore, the World Bank’s and Chinese Development Research Center’s (DRS) publication “*China 2030*”, confirms this new vision of China future development, setting a huge range of policy measures dealing with slower growth, preventing the country from falling into “middle income trap”, characterized by a slowdown of fast-growing economies, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low income, low wage economies in the cheap production of manufactured goods. This phenomenon occurs when a country’s growth plateaus and eventually stagnates after reaching middle income levels. The problem usually arises when developing economies find themselves stuck in the middle, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low income, low wage economies in the cheap production of manufactured goods. Since China is running out of cheap labour from the countryside and is facing a demographic change and increasing dependency ratio (Cai, 2012), this new vision and the involvement of Chinese government think-tank, exemplifies current political and economic stage.

Former Premier Deng Xiaoping’s famous quotation “crossing the river by feeling the stones,” describing the cautious and incremental approach China should take towards

---

<sup>1</sup>This concept, first introduced by Hu Jintao during his speech at the research seminar of key provincial and ministry-level leading cadres on raising the capacity for the construction of a socialist harmonious society ([http://news.xinhuanet.com/newscenter/2005-06/26/content\\_3138887\\_3.htm](http://news.xinhuanet.com/newscenter/2005-06/26/content_3138887_3.htm), in chinese), has been remarked by Mr. Xi with his “Chinese dream” slogan. Obviously this remind us other dream as the American dream.

development, is still considered as the most basic theory guiding China's development path (Prud'homme, 2010).

The recent reforms get into a highly heterogeneous and fragmented context, in which different realities and inequities coexist, worsened in recent year because of the gradual administrative and fiscal decentralization, making this process even more complex.

The pattern of Chinese reforms should be seen anymore merely as a trial-and-error attempts of Chinese leaders to find a formula that works or as the reflection of debates among economists over policy design. The real challenge of economic reforms was the political one (Shirk, 1993). Indeed, at the core of China's rise lies up to now in the Chinese Communist Party's ability to reinvent itself and its administration (Pieke, 2012) but nowadays in a complex and highly competitive world is this sufficient?.

According to Shirk (1993), the overall economic success of the Chinese economic reforms is surprising because we usually think of communist political institutions as rigid and hostile to innovation.

The CCP has been in power in China for 63 years and, despite its evolution and adaptation to the context, it still retains core Leninist principles<sup>2</sup> that guarantee its authoritarian leading role over state and society. Since 19<sup>th</sup> century, China's goal has been wealth and strength; Mao Zedong tried to attain them through real socialism rooted in Marxist thought; for Deng Xiaoping and his successors, ideology was more flexible and, little by little, private initiative became stronger and strategic for economic development, making China an economic power, a strategic and influential country on several issues at international level. A milestone of Deng policies was the opening-up reforms and country's development, helped China's leaders to understand how to proceed to converge balanced development and economic growth culminated with the re-entrance in the WTO in 2001-2005 period (see next section).

Through the analysis of the latest welfare reforms, the main aim of this paper is to go behind the Chinese economic success, focusing in particular on dramatic social effects of the reforms on the population, specifically on the internal migrants.

---

<sup>2</sup> The Party summarizes this orientation by saying that it is a 'Marxist learning party' (马克思主义学习型政党) (Pieke, 2012).



The analysis takes into account different perspectives and it is also based on a survey, whose theoretical background is attributable to Hofstede's research. This empirical study has involved both Chinese scholars' associations, providing a first evaluation of recent reforms in China.

The methodology used in this paper are in first place the literature review and analysis and secondly an opinion poll on the reforms issues, involving 44 Chinese scholars and researchers.

The paper is divided into five sections: in the second and third sections an overview of structural economic and social reforms is provided. In order to fully understand China's latest economic and social reforms, a brief overview of the country political system and latest development is presented. The fourth section presents a case study on Chinese scholars, which helps us understanding academicians perspective and opinions on current economic and social situation in China. The following section elaborates possible policy implications, based on the results of the aforementioned case study.

Our research, which does not claim to present any generalizable conclusions on current Chinese public opinion, aims to shed some light on the opinion of a specific group of persons the academicians.

## 2. Overview of Structural Economic Reforms (1978-2012)

Chinese economic growth in the past three decades started in year 1978 - which represents a milestone in terms of economic performance . is rooted in the development strategy and the reforms implemented by the PRC for the transition from a planned to a market economy. The aim of this section is to briefly analyze the main passages of these policies in order to understand the actual reforms and their social and economic effects as well as the future challenges analyzed in this paper with a labor market/system perspective and, in particular the migrants situation.

The structural and sectorial transformation of the Chinese economy, along with the opening and the development of the entire eastern area of the country, not only led to a sharp decrease in percentage of workers in the agricultural sector<sup>3</sup>, but also to a dramatic increase of the internal migration that quickly “emptied” the rural areas of its labor force, worsening the inequality between the coastal and inland areas of the country (Cai, 2011).

In addition, the one-child policy, which began in 1979 with the aim of supervising the increase of the Chinese population, dramatically changed the population composition, gradually decreasing the percentage of the workforce (age range 15-59) (Cai, 2009).

Population growth and age ranges are important factors in the analysis of labor supply and many academicians estimate a systematic decrease on domestic market: according to United Nations’ estimates (2005), the population will continue to increase until 2015 and then it will decrease gradually.

This prediction, together with the recent statements of Professor Cai Fang, Director of the Department of studies on population and labor market at Chinese Academy of Social Sciences, according to whom China has already reached the *Lewisian Turning Point*, launch a clear message to the country that has always been considered an inexhaustible source of cheap labor force (Kyung Sup 1993).

One of the main consequences of this phenomenon is due to a turnaround in the labor market, until today characterized by a *dual* economy, on which the country has based its

---

<sup>3</sup> From 1978 to 2005, the percentage of workers employed in the agricultural sector fell from 71% to 45%, the percentage of workers in urban areas has increased from 24% to 36% and the percentage of workers in the SOEs has decreased from 78% to 24 % (Amighini, 2004).

development and overall success (Biggeri, 2007). The peculiarities of the Chinese labor market in the last 30 years have been: (1) unlimited availability of cheap rural workforce to be employed in the secondary sector; (2) significant wage differences between rural and urban areas. Chinese government was very concerned about the forecasts and considered the worker an important part in its process of creation of the long-awaited “*harmonious society*”.

On the one hand the “*Go West*” policy is attempting to develop the most distant areas of the country, trying to dwindle provinces internal imbalances and to create greater employment opportunities; on the other hand there are less restrictive policies on births, hoping to dispel the negative forecasts about workforce trend.

The centrality of work is due above all to needs of the China model to change its development pattern, trying to acquire a gradual independence from foreign countries through the stimulation of domestic consumption and greater disposable income of the population.

Before the constitution of the PRC in 1949, the country consisted mainly of farmers and the primary sector was highly specialized and developed. The labor market was regulated and allow easy mobility within the country (Rawski, 2011).

The foundation of the PRC in 1949 launched the beginning of the structural changes started in the country and the redefinition of the sectors of economic and social development. The socialist leaders, as happened in other countries, decided to consider the industry a priority and focused on development of the heavy one, according to the logic of the planned economy and soviet model, fixing the state prices and the resources allocation, including the workforce (Cai and Du, 2000).

The market organization was very strict, because of the creation of work-unit (*danwei*), in which the worker was guaranteed additional services, such as health insurance, home, pension, funeral expenses and education. Since the whole family could benefit from this assistance, wages were obviously very low.

The total work planning and the lack of mobility were also the basis of the collectivization process of the country’s rural areas, in which in 1958 communes were established; in these ones workers, like their equivalent “comrades” in urban areas, were guaranteed rights such as house and access to health, providing an equitable access to

resources through the establishment of quotas and coupons in order to purchase agricultural products.

In order to ensure an efficient regulation of internal migration patterns, the State established the *hukou* system, which had the function of regulating the migration within the country, especially from the countryside to the cities.

After some radical economic and social changes, the State, thanks to the leadership of Deng Xiaoping, decided to change course by adopting a process of gradual opening up of the country.

The planned economy, which is considered the main cause of low labor productivity, lack of innovation and inefficient process of resources allocation, it was replaced by the famous motto “to get rich is glorious”, of which Deng became an utmost promoter.

Reforms affected all sectors of the economy and can be classified, in large approximation, into five stages. In the first one, which lasted more or less until 1984, the focus was on the issue of rural areas and dwellers (Ash, 1988) and its limited productivity (Amighini, 2004).

In fact, before the reforms, China's economy was characterized by a high percentage of the industrial production on the GDP official value (48% in 1978), although the most part of the labor force was employed in agriculture (71% in 1978) (Lemoine, 2003).

One of the fundamental changes during this historical period was represented by the dismantling of People Communes (Biggeri, 1999) and the introduction of the household responsibility system in agriculture, according to which families had the right to keep for themselves, and / or sell, all production in excess in accordance with the level set by the government. This process, accompanied by policies to favor agriculture, in a few years had a double effect: led to the rising prices of agricultural products, increasing the farmers' incomes and therefore their purchasing power. After the great reforms the farmer's income decreased again in favor of other sectors, forcing many workers to leave the primary sector that was slowly becoming less profitable (Cook, 1999).

This trend was somewhat reshaped and controlled thanks to the *hukou*, through the “*abandon of land without the abandon of the village*” policy, by establishing rural towns and *Township and Village Enterprises (TVES)*, which allowed the farmers to find

new jobs and sell their products generating profits (Biggeri, 1999). To government's surprise, they had an unexpected success and the number of employed increased from 28 million in 1978 went to 70 million in 1985, then reached 123 million in 1993 and 136 million in 1999 (Biggeri, 2003).

This phenomenon had two important consequences about employment: on the one hand, allowed the market absorption of part of the labor force *surplus* in country's rural areas by facilitating the process of structural change without a significant increase in internal migration; in the other hand, because of the reduced regulation and lower labor costs, their market entry increased competition causing many problems to the state-owned enterprises (*State Owned Enterprises, SOEs*) in urban areas. Thus, following the same principles of *TVEs*, even the *SOEs* began a long process of gradual reform and gained administrative autonomy, as well as greater freedom to generate profits. This process led to an important decision, by which the CCP introduced the concept of economic *performance* within the *SOEs*, which was allowed to retain part of their profits and to reward workers through *bonuses*.

In 1992, state-owned enterprises were allowed to establish their own internal structure of wages, which had to be approved by the government.

Thus the initial success of the agricultural and rural sector reform pushed the government, in the period 1984-1988, to intervene in the urban industrial sectors, promoting a series of liberalizations in prices and wages, adopting a corporate taxation system, giving up the monopoly system in banking and experimenting, in some major cities and coastal areas, the openness to international trade and foreign investment (Di Tommaso and Bellandi, 2006).

In the third (1989-1991) and fourth stage (1992-1997) economic reforms proceeded in this direction, extending their reach to all economy sectors: privatization, the exchange market birth and consequent listing of companies, as well as the introduction of the chance of establishing private equity firms, removal of price controls and, at least formally, the centralized allocation of bank credit and the liberalization of foreign trade. Finally, since the establishment of the four special economic zones in 1979, whose authority was granted the power to offer tax incentives to attract foreign direct investment (FDI), the foreign company became increasingly central within the country (Amighini, 2004).

This major flexibility had its effects also on the labor market in which, since the mid-80s, there was the end of permanent employment and was formally introduced the employment contracts<sup>4</sup>.

This measure had its effects on the market in which, the 4% of workers with a regular contract in 1985 became 13% in 1990, reaching 39% in 1995; in 1997, 100 million workers benefited from regular contract: if on the one hand the State tried to formalize and regulate this market giving little freedom to companies, on the other hand it kept very restrictive policies on terminations, which could correspond to 1% of the total number of employees in a year and were limited only to certain categories of workers.

This gradual process of liberalization had several effects: it increased competitiveness of more productive workers, diversified the resource allocation system (governmental, private, *self-employment*) and difficulties in the monitoring process of internal migration, putting at risk the institution of *hukou*<sup>5</sup>.

Migrant workers, initially poorly accepted and marginalized in urban realities, took an increasingly central role during the economic boom and it's given that they shall be considered the engine and the key to success in this country over the last two decades (Biggeri and Hirsch, 2008) .

Migration flows, less regulated, increased steadily and the State, in order to cope with increased demand in the cities along the east coast, established precise permit quotas for workers from rural areas.

Flexibility and openness marked the decline of state-owned enterprises (*SOEs*) which, by promoting full employment and consequently becoming inefficient and unprofitable, went through a process of gradual privatization "protecting the large ones and reforming the small ones" (*zhuada fangxiao*), focusing on workers' productivity and skills. This process involved more than 40,000 state-owned enterprises (40% of the total). Given the high number of workers in *SOEs*, the government tried to regulate the layoffs, mainly because of adequate social protection measures and a welfare policy fit for dealing with a phenomenon of such large capacity.

---

<sup>4</sup> The State Council promulgated the "Temporary Regulations on the Use of Labor Contracts in SOEs", see Meng (2000) for an in-depth analysis.

<sup>5</sup> Starting from 1985, temporary residence permits (for a period of three months) were released to migrants who settled in urban areas and in 1988 was established the identity card, which simplified the way to obtain these permits and regulate this process.

Hand in hand with the adapting of enterprises and institutions to economic liberalization, the government began the first major reforms in the labor market: in 1994 it was ordained the first *Labor Law*<sup>6</sup>, which came into force on January 1st, 1995.

It set for itself two main objectives: on the one hand, the creation of a unified legal framework and a set of fundamental rights for the citizens. It was the result of two important laws, such as the *Trade Union Law* (enacted in 1992) and the *Handling of Labor Disputes Enterprise (HELDR)*, promulgated in 1993<sup>7</sup>, as well as being based on two other specific supplementary regulations: the *Regulations on Labour Management in Foreign Investment Enterprises* (in cases where the employer is a foreign-owned company) and the *Administrative Regulations on the employment on Foreigners in China* (in case where the worker was a foreigner).

Through this legislation, the Chinese government tried to balance the need for greater flexibility in the labor market, typical of an rapidly developing economy, with the needs of a broad class of Chinese workers.

In spite of its imperfections and the lack of implementation in some companies and sectors, this law certainly played an important role in protecting the workers' right.

The further years were followed by a radical renovation of SOEs, unsustainable for the state by then, and by a series of reforms in the financial system, welfare and administrative<sup>8</sup> reforms which officially marked the end of the "*iron rice bowl*", that had guaranteed employment and social protection to the urban population<sup>9</sup> until the '90.

---

<sup>6</sup> It's necessary a preliminary reference to art. 10-11-12-13 of the same law, since they are the cardinal principles of work legislation. According to art. 10 of the Labor Law, the State has a clear obligation to support and create employment opportunities by promoting economic development and the enactment of laws that help firms to expand. Furthermore at the local level, governments should promote the creation of employment agencies (Article 11). But under Articles 24 and 13 are prohibited discrimination against workers of different race or religion, setting precise obligations on employers in order to ensure equal treatment between men and women.

<sup>7</sup> This law tried to ensure equal rights in terms of working hours (40 hours per week with a limit of 36 hours of overtime per month), rest days and holidays, working conditions, minimum wage and social protection. It's important to highlight that the term "enterprise" is not easy to determine, in fact, for example, it includes the *state-owned enterprises* (SOEs), the *foreign-invested enterprises* (FIEs), the *limited liability companies*, the *branches of foreign companies*, the *collectively-owned* and *private-owned enterprises* etc.. Note that for the *representative offices* there isn't the possibility to directly employ Chinese workers, therefore they are excluded from the category "enterprises".

<sup>8</sup> The state started a fiscal and administrative decentralization process, gradually giving autonomy to every single province in the field of resources administration and services for the population.

<sup>9</sup> After this sudden change, the government was forced to provide its citizens with an "exit program" (*xiagang*), which had to guarantee them all the benefits for three years following the implementation of the reform.

The consequences of this process, dramatic in size and scope, caused problems for the functioning of the internal labor market, drastically reducing the employment rate, especially for the segment of the population over 40.

The government gave priority to the social protection systems by carrying out some reforms: in 1999 it established the unemployment compensation and started the *Minimum Living Standard Program* (MLSP), trying to guarantee a common minimum standard for the whole population and integrated the dismissed state workers into SOEs (over 24 million) in a re-employment process (Re-Employment Centre), which allowed them to stay officially employed (*xiagang*) but gave them a subsidy of 35-40% on the average salary and a *retraining* service (Amighini, 2004).

Job insecurity and unemployment, as well as a growing inequality between the provinces, caused the wave of protectionism and restriction in terms of internal migration: from essential workforce for the development, migrants were the scapegoat of this process of economic change and, in order to stem the discontent within the most developed provinces, some provincial governments imposed heavy fines, forced evictions and limited the types of work to which migrants could access (Cai, 2003).

In the end, the fifth phase (2001-2007) coincided with the entry of the country into the WTO and with a new development strategy known as *going out*, characterized by an increase of Chinese FDI overseas and a strengthening of the international relations (*Beijing Consensus*) (Biggeri and Sanfilippo, 2009). Wen Jiabao, followed by Hu Jintao, found “harmonious development” essential to break up with the disharmony created by the dramatic wealth gap, achieving remarkable results in terms of well-being<sup>10</sup> and welfare services provided.

This unique and evolving governmental rationality, which could be called *neo-socialism* (Pieke, 2012), is still the key to maintain the party “charisma” redefining its mission and main objectives.

---

<sup>10</sup> By the end of 2011 mainland China had a population of about 1,347.35 million, 1 of whom 690.79 million or 51.27 per cent lived in urban areas and 656.56 million or 48.73 per cent in rural areas (SCIO, 2012). Between 2000 and 2010, the urban population rose by 13.46 per cent, the share of the population aged 0–14 declined by 6.29 per cent, while those aged 60 and above increased by 2.93 per cent and those aged 65 and above by 1.91 per cent. (NBS, 2011a). Average life expectancy increased from 68.55 in 1990 to 71.40 in 2000 and 73.50 in 2010 (NBS, 2011b) .



The long-awaited harmony, that the Chinese government considers a priority in the short-term period, places the human being in the middle of the current debate on future development of the country; the reforms undertaken over the past two decades in China are part of an economic context of privatization, “marketization” and gradual process of economic and fiscal decentralization, that had a dramatic effect on work assignment.

The labor market made some important steps in the regulatory process and operation, ensuring greater mobility and protection for workers (especially migrant workers), allowing firms to be more *market-oriented* in the decision-making process and staff administration.

After this government’s new vision, there were important social reforms, aiming at guarantee accessibility and equity for Chinese citizens.

### **3. The Social Policy of China's Economic Transformation in the new millennium**

In this section the main elements that characterize Chinese social policy in terms of social security, residence rights, the health and the education system reforms and performances are presented.

#### **3.1. Social security system**

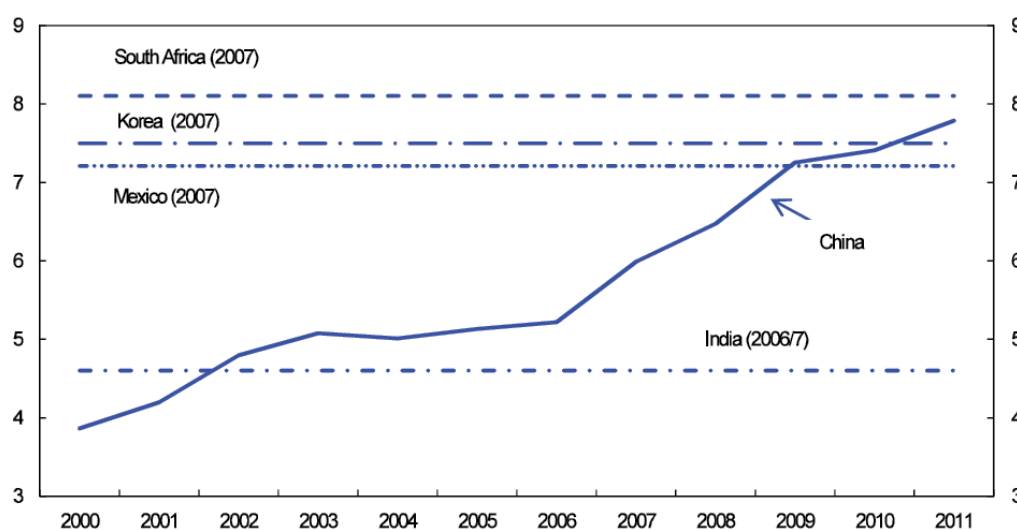
Since the new millennium China has followed a developmental welfare approach, or “*developmentalism*”, which attaches great importance to economic development and strives to integrate welfare policies within a planned national development process (ISSA, 2012). It is widely realized that China is approaching a development stage where social security plays more important role than before in terms of stimulating economic growth, equalizing income distribution, alleviating poverty and maintaining social stability (Gustaffson *et al*, 2011), making great strides on broader measures of “human development” and well-being extended beyond income (Biggeri, 2007).

As shown in figure 1, the increase in expenditure during the last years has gone towards extending the coverage of social programs but still, it is lower and far behind other emerging economies, such as Brazil and Russia (OECD, 2012). Country's social programs remain limited in their range and quality, with many groups (such as migrant workers) largely excluded.

In addition, income inequality has risen rapidly in recent decades, both between urban and rural areas and within them (Ravallion and Chen, 2007; Kanbur and Zhang, 2004).

The PRC established a social security framework in urban areas and tried to cover workers in private and informal sectors, the self-employed, and rural migrants. However, the extension of the social security system in cities has been challenged by high contribution rates, a tremendous legacy cost, empty individual accounts, and policies and institutions that are discriminatory against rural migrants (ADB, 2010).

**Figure 1: Public social expenditure in China and selected emerging economies (%GDP 2011)**



Source: OECD, (2012), *China in Focus: Lessons and Challenges*, OECD, Paris

It mainly consists of the four components of social insurance (social relief, housing services, and social welfare<sup>11</sup>), presenting huge disparities between rural-urban citizens in terms of costs and accessibility.

It is embarrassing that more than 140 million rural migrants have been excluded from the urban social security system due to the household registration system (*hukou*) and policies biased toward urban residents (Wang et al. 2010), even though they are equivalent to 47.8% of urban employment (Wang, 2010).

The problems of the system are very obvious: its coverage is limited only to urban formal sector, while the majority of employees in informal sector and in rural areas are not covered by the system. It is segmented, different programs for different population groups and independently implemented in different provinces, even in cities. Furthermore, it provides a low-level and weak protection for the poor and low income groups.

<sup>11</sup> The PRC's social security system includes social insurance, social welfare, the special care and placement system, social relief, and housing services. Social welfare provides benefits for the elderly, orphans, and the disabled. The special care and placement system provides materials and expresses compassion mainly for servicemen and their families.

**Table 1: Overview of Chinese social security system (2008)**

	Urban residents	Rural	Rural
<b><i>Social insurance</i></b>			
Pension	Formal <sup>12</sup>	Partial	Partial
Unemployment Insurance	Formal	Partial	Not
Medical insurance	Formal	Partial	NCMS
Work Injury Insurance	Formal	Partial	Not
Maternity Insurance	Formal	Not covered	Not
<b><i>Social Relief</i></b>			
<i>Dibao</i> <sup>13</sup> Scheme	Formal	Not Covered	Formal
Medical Assistance	Formal	Partial	Formal
Five Guarantees	Formal	Not applicable	Formal
<b><i>Housing Security</i></b>			
Housing Funds	Formal	Not covered	Not
Low-Rent Housing	Formal	Not covered	Not

Source: Wang, 2010

It is recognized that the current system of social security needs to be reformed in order to meet the challenges resulting from transition to a system protecting all the residents in the society (CDRF, 2009).

There are a lot of debates concerning what kind of social security system can be applied to China given significantly large differences between urban and rural areas in terms of income level, employment structure and fiscal capability (Zhao, 2007).

These issues in the debates become more complicated when considering what suitable and reasonable social protection is for millions of rural migrant workers, who have low-income and unstable employment (Zheng, 2009).

Building up a wide coverage and fair system of social security is one of the options for the Chinese governments in the 12th Five-Years Program.

For an economy growing at the rate of today's China, social policy is extremely important and can contribute positively to economic performance (Zheng, 2009). In

<sup>12</sup> "Formal" indicates that a formal system that has been established. "Partial" indicates that there is no a formal system designed at the national level but some local governments allow rural migrants to participate in urban systems or pilot experiments for them. "Not covered" indicates that rural migrants are excluded from urban systems (Wang, 2010).

<sup>13</sup> *Dibao* = urban minimum living allowance

examining the impact of social transfers, a great deal may depend on institutional details and on the “incidence” of benefits in achieving social objectives. By incidence is meant: who actually benefits from the programs? (Atkinson, 2009).

As already mentioned, demographic factors such as population aging, migration, and urbanization present a dynamic and broad picture of the challenges facing the PRC in the future. At present, low coverage rates and fragmented schemes across population groups highlight the issues of incentives, financing, portability, and institutional reforms (Wang, 2010).

In order to have a clear picture of current situation and issues, the next section will briefly analyze the most important aspects related to Chinese welfare structure, focusing on the assessment of institutional barriers and to issues related to specific aspects of social benefits, such as health care, education and labor market.

### **3.2. Hukou system**

The *hukou* system is basically a household registration system, introduced in 1958 and employed by the Chinese government as the oldest tool of population control. Due to administrative and fiscal decentralization, each local government has the right to make local *hukou* policies; they can issue a *hukou* booklet per family, recording all the information of each family members, such as names, birth dates, permanent addresses, marital status, education, death dates and other essential details. Also, the *hukou* booklet identifies the village, town or city to which each family member belongs. A child's *hukou* is determined by his or her parents' *hukou* rather than the child's birthplace (Chen, 2013).

A household's *hukou* was (and continues to be) inherited by the next generation. Even if this institution lost gradually its power together with economic opening-up reforms, it still represents a dramatic barrier for internal mobility, in terms of welfare and social security.

The past three decades have witnessed a drastic increase in the number of “temporary” non-*hukou* residents (either registered or non-registered) in urban centers. These

migrants or temporary residents are not entitled to urban benefits unless they convert to a full urban *hukou*.

As argued by Afridi, Li and Ren (2012), the following major and persistent gaps between rural migrants and urban residents continued to exist in large urban centers: (1) labor market and occupational segregation: employment in government offices and state-owned enterprises in cities continued to be unavailable to rural migrant workers unless they converted to an urban *hukou*; (2) lack of social insurance benefits for rural migrant workers<sup>14</sup> such as unemployment and health benefits; (3) absence of state subsidized social welfare benefits. In addition, government subsidized low-rent housing in large cities is only available for local urban *hukou* holders.

Several developments in recent weeks suggest that momentum toward reform of the household registration system is accelerating (Ulrich, 2012), in order to narrow urban-rural divide and boost migrants' wages<sup>15</sup> and access to social security system.

In late February 2012, the State Council released a circular, stating that migrant workers and their families should be entitled to apply for permanent residence permits or urban *hukou* in all county-and prefectural-level cities, provided that they meet basic criteria relating to employment, residence and social insurance contributions (Ulrich, 2012). Furthermore, China's vice minister of public security circulated a new draft regulation for a nationwide residence permit, which could eliminate these barriers.

As shown in table 2, many second-tier cities, including Chengdu, Chongqing and Guangdong province, have already implemented several reforms, maintaining an high degree of autonomy.

The most controversial issue regards rural land rights which, as shown in the previous table, are in most cases relinquished in exchange of urban welfare benefits. Considering the rapid urbanization process and local governments' interests, this policy becomes quite critical and can be interpreted as a sort of "land grab" depriving rural residents land rights.

---

<sup>14</sup> The total stock of "rural migrant labor", estimated to be about 155 million in 2010 (Cai, 2011).

<sup>15</sup> Most of today's migrant workers are from the post-1980 ("ba-ling hou") generation. About 60% of today's inter-province migrant workers were born after 1980, and unlike the preceding generation, they have limited or no experience with agricultural work and are likely to remain urban residents (Ulrich, 2012). According to current demographic trends and migration patterns, government's policy aims at increasing migrants' consumption propensity, in order to favor the transition from savings to spending and boost domestic consumption.

**Table 2: Local *hukou* reform at a glance**

<b>Criteria</b>	<b>Guangdong</b>	<b>Shanghai</b>	<b>Chengdu</b>	<b>Chongqing</b>
<i>Most recent reform</i>	2010	2009	2010	2010
<i>Yrs of residence required for conversion</i>	7	7	2	3-5 (location-based)
<i>Qualification system</i>	Point-based system	Point-based system	Favors owners of local property > 70 sqm and local graduates	Min. Income tax payments in past year, after conversion, equal education rights
<i>Education</i>	Migrants' children, who have lived in the city for min. 5 yrs may enter public schools	Migrants with urban residence have equal rights	Both urban and rural hukou holders have equal rights	After conversion, equal rights
<i>Rural land rights</i>	Rural residents relinquish land rights after conversion	N/A, because most applicants are from other jurisdictions	No need to exchange land for <i>hukou</i>	Retaining of land rights for three years
<i>Rural-urban conversion</i>	690,000	71,700	210,000	3.2 million (2011)

Source: Zhao and Fu (2010)

According to several surveys (NBS, 2010) most of the young migrants are not willing of returning to their home regions and, even if the threshold for acquiring an urban *hukou* has been lowered in many cities, most rural residents have deep reservations about giving up their claims to rural land.

As proposed in *China 2030* report jointly published by the World Bank and the Development Research Center of the State Council new initiatives are needed, as establishing a national population registration system.

### 3.3 Education

Education and institutions assume a key role in stratification processes in all modern societies, including contemporary China (Wu, 2011).

Since the 1950s, China has expanded its education system<sup>16</sup>, attempting to mobilize the entire population to achieve universal literacy over a relatively short period and has devised new ways to expand and deliver all levels of schooling to its citizenry. (Gordon and Qiang, 2000).

Educational policy formulating in the past two decades has been characterized by gradualism, by experimentation, and by occasional hesitation about the pace of reform.

**Table 3: Key Education statistics (2008)**

Government spending on education (% of GDP)	3.5
Household spending as a % of disposable income	8.6
Literacy rate (%)	92.2
Higher degree holder as % of total population	7.4

Source: China statistical yearbook, 2011

Despite the remarkable results, as shown in table 3, the Ministry of Education (MoE) recently issued a medium term reform plan to increase literacy rate, promote

---

<sup>16</sup> China's education system is composed of 4 components, i.e. basic education, occupational/polytechnic education, common higher education and adult education. Basic education comprises of pre-school education, primary (6 years) and junior (3 years) and senior (3 years) middle schooling. Medium-level Occupational and Polytechnic Education is mainly composed of medium-level professional schools, polytechnic schools, occupational middle schools as well as short-term occupational and technical training programs of various forms. Common higher education comprises of junior college, bachelor, master and doctoral degree programs. Junior college program usually last 2~3 years; bachelor program 4 years (medical and some engineering and technical programs, 5 years); master program 2~3 years; doctoral program 3 years. Adult education comprises of schooling education, anti-illiteracy education and other programs oriented to adult groups.



compulsory education in rural areas<sup>17</sup> and helping graduates (most of all migrant ones) to seek employment.

Due to its role in determining labor market outcomes and to its importance for human capital accumulation, education is MoE's top priority agenda.

Over the last decade, the attendance at university in China increased from 3.4 million in 1998 to 21.5 million in 2008, reflecting China's unprecedented economic growth and its high demand for a skilled workforce.

**Table 4: Higher education institutions (2009)**

	Eastern Provinces	Central Provinces	Western Provinces	North-eastern Provinces
Institutions (unit)	915	596	554	240
Student enrollment (%)	40.8	27.3	22.1	9.7
Number of graduates(%)	41.6	28	20.7	9.5

Source: Author's Elaboration based on "China Statistical Yearbook 2010, Section1-6 (Main Indicators on National Economic and Social development)

However, though the national policy was converted to follow the marketing rules, the so-called "*market-oriented educational industrialization*", arrangements of national institutions and policies still have relatively important influence on educational attainment and social status attainment.

Since Chinese government is responsible for regulating the number of university graduates based on the economic and social needs of the country, the allocation of educational attainment opportunity is not fair in China, but rather favors students of better-developed provinces. As we know, diplomas and higher education can be seen as

---

<sup>17</sup> The Law on Nine-Year Compulsory Education (中华人民共和国义务教育法), which took effect on July 1, 1986, established requirements and deadlines for attaining universal education tailored to local conditions and guaranteed school-age children the right to receive at least nine years of education (six year primary education and three years secondary education). The program sought to bring rural areas, which had four to six years of compulsory schooling, into line with their urban counterparts.

a certificate of high-caliber human resources and the cultural capital to achieve upward mobility. In China, the only opportunity to succeed can be identified in the *gaokao*, the national college entrance examination, one of the most important turning points in students' lives.

Although decision making concerning different issues in higher education has been decentralized, control over recruitment remains at the central level and every province favors local students because most of university resources come from provincial authority. These entrance barriers widen inequality problem between rural and urban students for educational attainment giving them different opportunities.

In China the major social structural factors affecting the distribution of educational opportunities are mainly those derived from institutions. Some institutions unique to Chinese society play decisive roles in the allocation of resources and in the distribution of educational resources as well.

Some excellent rural students who have got enrollment of college might drop the opportunity because of economic reason, but what really blocks the way for most rural students to obtain the chance of receiving higher education is institutional arrangements.

Inequality problems needs more attention, not only because education is an important indicator or the equality of life, but also it is an investment which has increasingly been recognized as an important ingredient for sustained economic growth.

### **3.3 Public health**

Since the mid-1990s, China has tried to find a more efficient and economic medical care system (Barber and Yao, 2010).

Health care sector became, especially after SARS outbreak in 2003, a major issue to solve in the country. Starting right after the second wave of reforms, health care costs became a huge burden for poor households, who reported them as one of the main causes of their poverty (Wagstaff *et al*, 2009).

**Table 5: National Health Accounts, China**

<b>Selected indicators</b>	1995	2000	2005	2008
Total expenditure on health (THE) as % of GDP	3.5	4.6	4.5	4.3
Government expenditure on health (GGHE) as % of THE	51.2	38.7	40.8	46.7
Social Security funds as % of GGHE	64.2	57.2	54.1	55.3
Private expenditure on health (PvtHE) as % of THE	48.8	61.3	59.2	53.3
Private insurance as % of PvtHE	0.0	1.0	6.3	7.1
Private out-of-pocket payments as % of PvtHE	96.3	97.3	92.9	92.0
Total expenditure on hospitals as % of THE	68.8	68.9	70.5	-
Total expenditure on inpatient care as % of THE	34.1	34.6	-	-
Prevention and public health services as % of THE	7.7	8.8	-	-
Total expenditure on health/capita at exchange rate (US\$)	21	43	76	142

Source: WHO (2010)

As reported in figure 4, health spending rose from 3.5 in 1995 to 4.3 in 2008<sup>18</sup>, reporting a dramatic decrease of government expenditure and a sharply rising of out-of-pocket expenditure, due to economic reforms and privatization mechanism.

Between 2003 and 2008, insurance reforms were implemented to improve access and utilization, reduce costs, and provide higher risk protection, particularly for rural populations, primarily to redress inequalities between rural and urban areas. Most programs were initiated as pilots, to be able to accumulate lessons learned prior to scaling up nationwide.

These include: the New Rural Cooperative Medical Scheme (NCMS), the Medical Financial Assistance (MFA)<sup>19</sup> and the Urban Residents' Basic Medical Insurance (URBMI)<sup>20</sup>.

<sup>18</sup> In real terms between 1978 and 2003, government health spending was estimated to have increased, on average, 8.7% per annum (Wagstaff, 2009). The MoH reported that total health spending had increased to 4.96% of GDP by 2009, and that the government intended to increase health spending to 8% of GDP by 2020.

NCMS, launched in 2003, derived from the previous insurance scheme, named Cooperative Medical Scheme (CMS), which has been in force since Mao's era. The CMS was funded from commune income and covered everyone living inside the commune. Communes paid village health workers and other members of the commune as well as covered the salaries of workers from health centers. By the 1970s an estimated 90% of the rural population was covered by a CMS; after the step-by-step dismantling of the communes, CMS began to lose its main source of funding and most people gradually became uncovered for all practical purposes. NCMS became the main strategy for financing rural health care substituting the old CMS. Considering the huge economic and social differences between provinces and among counties, funding is still considered the main issue and challenge in this medical scheme; both central and provincial governments make contributions to the NCMS according to the income level of counties, contributing more to poorer ones, especially those located in the central and western regions of the country (Xu, 2007).

An overview of the main features of the three insurance schemes is provided in the following table.

---

<sup>19</sup> Launched in 2002, administered by the Ministry of Civil Affairs and jointly financed by the central and local governments, the MFA provides cash assistance for the purchase of medical services to poor households, becoming a complement to NMCS. Due to fiscal decentralization, a great variability exists between provinces and this scheme and, even if it focuses on rural households, it results mainly designed for urban population (Xu, 2009). The MFA is financed by government at all levels (central, provincial, city, and district governments), sourced from welfare lottery, social donations and fund interest income. According to Yao (2010), in 2009 more than 16.0 million people accessed MFA, increasing 7-fold the its utilization compared to 2004 (an average annual growth of 37,9%).

<sup>20</sup> Initially launched in 2007 in 79 Chinese cities, URBMI beneficiaries are primary and secondary school students with no access to the Urban Employee Basic Medical Insurance (UEBMI)-which covers around 67% of urban employees (Yao, 2010)- young children and other unemployed urban residents. Enrollment happens on a voluntary basis and thus results in adverse selection. Enrollees must pay a premium which in general should be higher than the corresponding NCMS scheme for that region, but lower than the UEBMI fee. By 2008, this scheme covered around 60,4% of targeted population (Yao, 2010).

**Table 6: Summary of Chinese Medical Insurance Schemes**

<b>Characteristic</b>	<b>New Rural Cooperative Medical Scheme (NCMS)</b>	<b>Urban Employee-Basic Medical Insurance (UEBMI)</b>	<b>Urban Residents-Basic Medical Insurance (UR-BMI)</b>
<b>Date started</b>	2003	2008	2007 (79 pilot cities) 2010 (all cities)
<b>Population</b>	Rural residents	Urban employed	Children, students, elderly, disabled, other non-working urban residents
<b>Target</b>	Est. 840 million	Est. 300 million	Est. 200 million
<b>Current coverage</b>	94.2% (2009)	67% (200 million, end 2008)	60.4% (118 million, end 2008)
<b>Administration</b>	County level (2176 counties)	Municipal level	Municipal level
<b>Revenues (billion RMB)</b>	94.435 billion RMB (13.9 billion USD) (2009)	270.9 billion RMB (39.8 billion USD)	15.4 billion RMB (2.3 billion USD)
<b>Expenditures (billion RMB)</b>	92.292 billion RMB (13.6 billion USD) (2009)	201.6 billion RMB (29.6 billion USD)	6.7 billion RMB (985 mill USD)
<b>Source of revenues</b>	100 RMB/year (2009) For western areas, the contribution is 40 RMB each from local and central government, and 20 from individuals. The central contribution to eastern provinces tends to be lower, compensated by higher provincial or municipal contributions.	8% of employee wages: "6+2": 6% payroll tax on employers (ranging from 4 to 1 % by municipality) and 2% employee contribution Medical savings accounts generally cover OP expenses, medicines (employer contribution + 30% of employee contribution)	Average 245 RMB for adults, 113 RMB for minors (pilots 2008). In 2008, the government contribution was at least 80 RMB /person, with a central level contribution to west and central areas of 40 RMB/ person. Provincial contributions vary. The poor and disabled receive an additional 60 RMB per year (50% from central).

Source: Barber S. and Yao L., 2010, "Health Insurance system in China: a briefing note", WHO report

As underlined in the previous figure, the implementation and funding of the main medical schemes raise issues and challenges between local and central governments that impact health inequalities across China. These inequalities<sup>21</sup> continue to worsen mainly

<sup>21</sup> In 2000, the World Health Organization rated China's health financing system as one of the most inequitable worldwide, ranking China 188th out of 191 countries. The Chinese government recognized that this situation could not continue and described the health system as shameful (Ministry of Health, 2005).

due to oftentimes misalignments between central government and local goals, accountability system and incentive structure and regional fiscal capacities. As shown in a recent study (O'Donnell et al., 2007), government health spending in China is decidedly pro-rich and pro-coastal areas by international standards.

This phenomenon has a strong impact on health outcomes: while in the late 1970s the population enjoyed much better health than might be suggested by its income level, this is no longer the case. By 2006, life expectancy had moved back into line with its relative income level (Wagstaff *et al.*, 2009). Despite the huge efforts and the massive reforms carried out in the last four years<sup>22</sup>, the poor health outcomes underlines the necessity to strengthen policies and reforms.

Chinese health care system still presents several issues and weaknesses, which are mainly related to population health status monitoring, disease surveillance, health promotion and enforcement of public health legislation. The collection of poor data from administrative units, together with information gaps for important population groups (i.e. floating population), health problems, fragmentation of data sharing between hospital and institutions and lack of preventive medical services all together represent a massive problem among the country, which has already undergone a dramatic epidemiological transition during the last decade.

Together with the decreasing of infectious diseases<sup>23</sup>, a dramatic rising of deaths from chronic diseases has been reported<sup>24</sup>.

The growing consensus is that the government should focus efforts on promoting equitable access

---

<sup>22</sup> On January 2009, the Central Committee of the Chinese Communist Party and the State Council, jointly issued the “Guidelines on Deepening the Reform of Health Care system after three years of revision and debate. With an investment of 850 billion RMB in new funding, or \$125 billion. Approximately 40% of this financing would come from the central government. Experts and officials also acknowledge that an additional 150-200 billion RMB will be needed annually in future years, or about 1-1.5% of GDP. The core principle of the reform is to provide basic health care as a “public service” to Chinese citizens, which involves more government spending and guidance, in order to strengthen the delivery of medical care and the public health infrastructure, providing accessible health insurance, and ensuring a sound system for drug supply and security.

<sup>23</sup> The associated death rate did not lower as much, since the few residual cases tended to be more grievous. Since the mid-1990s, though, the prevalence of infectious diseases has increased due to the growth of sexually transmitted diseases and AIDS, which now accounts for almost half of all deaths from communicable diseases. However, the epidemic appears to be stabilising at a low level, compared to many countries, of 0.1% for the 15 to 49 age group.

<sup>24</sup> Death rates from cancer and diseases of the heart have dramatically grown since 1990. There has also been a major increase in chronic obstructive pulmonary disease and pulmonary heart disease, both associated with smoking and pollution.

to basic health services at affordable costs and adequate quality.

If the last three decades are anything to go by, these are likely to continue to change rapidly for the better, bringing new health challenges and new expectations, but also a better resourced and stronger health system, with a strong pro-poor strategy and a universal coverage.

### **3.4 Labor Market Reforms**

Since 1990s, the Chinese labor market has witnessed substantial development, as evidenced by increasing total employment, significant sectorial shifts, and institutional changes (Du, 2009).

Recent years decline in country's growth rate and the absolute number of working-age population lead to an inevitable labor shortage<sup>25</sup>, causing rapid wages increasing in both agricultural and non-agricultural sectors (Wang, 2010), a challenge that the Chinese economy has to confront (Cai, 2011). As shown by several studies, total employment in China has been through different phases, characterized by an initial increase, followed by a gradual decrease started after the financial crisis in 2008. As reported by the Ministry of Human Resources and Social Security of the PRC, unemployment rate remained unchanged at 4.1% in the fourth quarter of 2012.

As shown in table 5, we can notice the net increase in non-agricultural employment, which has been accompanied by the expansion of urban labor market due to the increasing of rural-urban migration.

---

<sup>25</sup> Labor shortage first emerged in the Pearl River Delta region in 2003 and has since expanded to the Yangtze River Delta regions and to inland provinces, the general source of migrant workers. Gradually it has become a national phenomenon in China (Cai and Wang, 2008).

**Table 7: Total employment structure, selected years, in millions**

	Total	Non agricultural	Agricultural	Urban	Rural	Migrant workers	Registered Unemployment (%)
1990	647	258	389	170	477	-	2.5
1995	680	325	355	190	490	-	2.9
2000	720	360	360	231	489	78	3.1
2008	774	468	306	302	472	140	4.1

Source: Author's elaboration on National Bureau of Statistics (NBS) and China Statistical Yearbook data

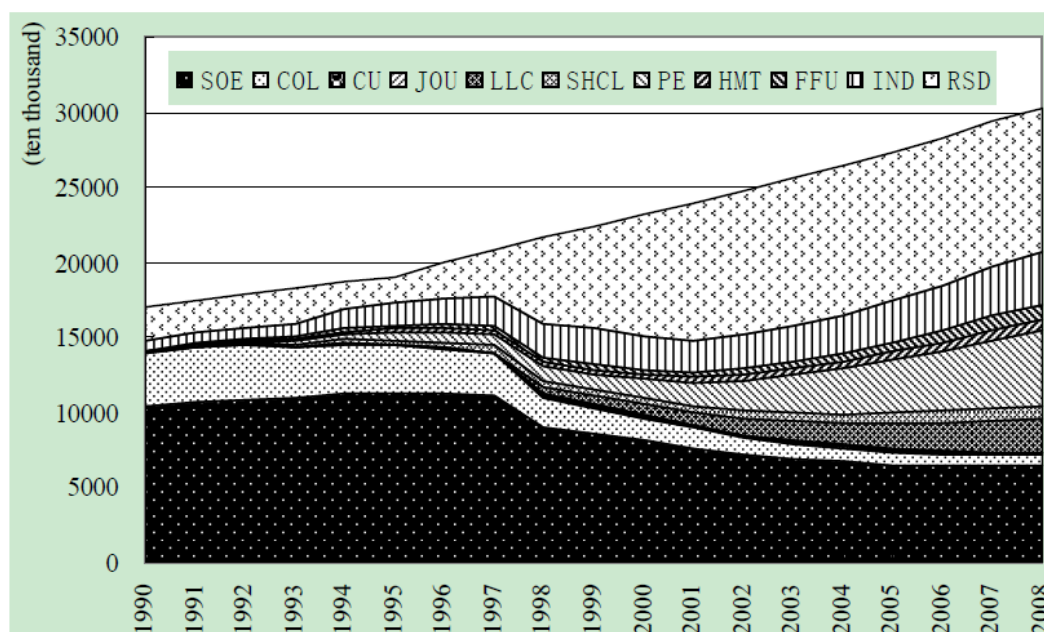
As explained in the first section this phenomenon, caused by the creation of a dual social structure, a radical economic restructuring of industrial sector and the implementation of one-child policy, let the Chinese labor market change completely its structure and internal dynamics.

Along with the dismantling of the state-owned sector and the creation of a series of private institutions/companies, the informal sector has undergone a dramatic increase in recent years.

As shown in figure 2, there is a breakdown of total employment by enterprise ownership, together with the existence of a significant residual. According to the analysis of Du (2009), the discrepancy between total employment and aggregated employment in the units is regarded as the size of employment in the informal economy (RSD in the figure).



**Figure 2: Changes in employment structure since economic reforms (1990-2008)**



Note: SOU (State owned units), COL (Collective owned units), CU (Cooperative Units), JOU (Joint ownership units), LLC (Limited liability corporations), SHCL (Shareholding corporations limited), PE (private enterprises), HMT (Units with funds from HK, Macao, Taiwan), FFU (Foreign funded units), IND (Self-employed individuals), RSD (Residuals)

Source: NBS; China Statistics Press

The “*informalization*” of Chinese labor market is regarded as one of the main issues to solve and is today a crucial issue of several debated among scholars and politicians.

In order to avoid this phenomenon and to let the labor market become more equal and regulated, the latest reform has been carried out in 2008, with the promulgation of a new *Labor Contract Law*. Compared to the *Labor Law* of 1995, there were many innovations which, for clarity, we summarize in the following table (Table 8).

**Table 8: Labor Law (1995) and Labor Contract Law (2008) compared**

Terms of reference	<b>Labor Law (1995)</b>	<b>Labor Contract Law (2008)</b>
<b>Sectors</b>	Private sectors and SOEs	All organizations, both private and public
<b>Trial period</b>	Limited to 6 months	Limitation from 3 to 6 months, depending on the type of contract, minimum wage and clear regulation of layoffs and possible compensation
<b>Written and open-ended contract</b>	Open-ended contract and conversion permit after 10 years of work. Not required	Required written contract and greater facilities for an indefinite period. Clear indications of penalties and compensation in case of violation of law
<b>Temporary employment agencies</b>		Request information about agencies: corporation stock, business strategy, clear division of responsibilities between agencies and employers
<b>Collective bargaining and labor union</b>	Labor union's role in the process of collective bargaining and overtime	Interaction between the government, labor union and workers.  Active role of labor union in: individual employment contracts, terminations, collective agreement (special, sectorial and provincial) and litigation resolution

Source: Traub-Merz R., 2011. All China Federation of Trade Unions: Structure, Functions and the Challenge of Collective Bargaining”, Global Labor University, ILO

Strictly defining the two parties' responsibilities and duties and inserting stricter rules, especially for employers, this legislative text "on paper" is certainly impeccable and in the legislative point of view, mainly protecting the Chinese workers.

Chinese government (at least officially) wants to protect more and more the position of employees as the weaker party, ensuring certain minimum standards and trying to identify precise areas of action, thus preventing the part of the involved employers from having too much flexibility in the interpretation of the legislative text (Pisacane, 2009).

Although China has made large strides in developing a legal framework for its labor market, the key question is how the various laws and regulations are applied and enforced (OECD, 2012).

Given the large size of China's informal sector, different approaches will be needed to improve implementation of labor laws and regulations.

The integration of the floating population in urban areas, together with the increased unemployment rate, the large inflow of new labor force entrants and the need of upgrading the skills of the workforce, highlight the need for further efforts to ensure that workers enjoy the rights to which they are entitled under law and have access to social security and social protection programs (OECD, 2012).

#### **4. Chinese politics and culture: empirical evidence from an opinion poll**

In this section we report the results of the case study on Chinese scholars and researchers, theoretically based on Hofstede's "5D-Model Dimensions of Culture" theory, which became the basis of his characterizations of culture for each country (Hofstede 1980).

The objective of this research is to analyze Chinese scholars and researchers opinion on several economic and social issues of contemporary China aiming at understanding if and how Chinese culture influences Chinese people opinions.

The section is divided into 3 sub sections: the first section is our theoretical background, which analyzes Hofstede's studies on cross-cultural research. The second section is represented by a literature review on China's public opinion survey characteristics and development based on Ren's recent research. The last section shows the results of our opinion poll, carried out in China during 2012, involving 44 Chinese scholars' and researchers.

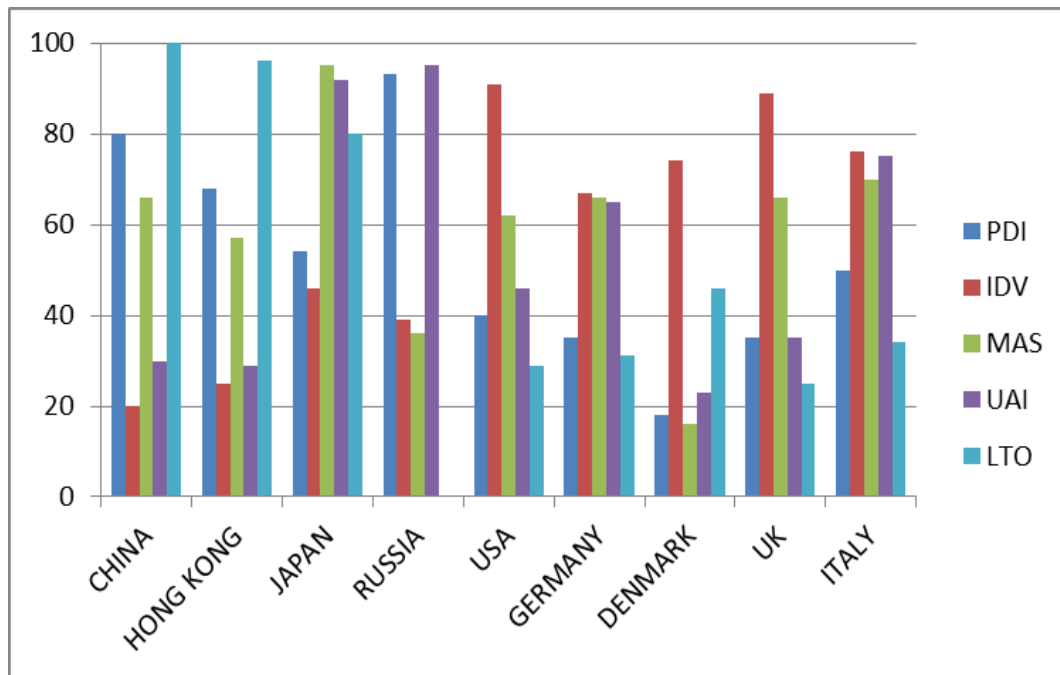
##### **4.1 Theoretical background**

It is widely recognized that cross-cultural research is not an easy task (Cavusgil and Das 1997) but, for sure, people from different cultural groups hold distinct beliefs or views about how the world operates, and cultural change happens slowly and infrequently (Hofstede 1998). Through the exploration of the differences in thinking and social action among more than 50 modern nations, Hofstede argues that people carry *mental programs*<sup>26</sup>, containing components of the national culture, which are expressed in the different values that predominate among people from different countries.

---

<sup>26</sup> According to Johnson (1998), a key term in these definitions is the word 'programming'. Culture is not something that is easily acquired it is a slow process of growing into a society. It includes: learning values (dominant beliefs and attitudes), partaking of rituals (collective activities), modelling against heroes (role models), and understanding symbols (myths, legends...). These ingredients of culture are acquired from birth. They are influenced by family, school, religion, workplace, friends, television, newspapers and books, and many other sources.

**Figure 3: 5D-Model, selected countries compared<sup>27</sup>**



Source: author's elaboration on Hofstede's Research Centre data

Note: PDI (Power distance index), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), Uncertainty Avoidance (UAI), Long-Term Orientation (LTO)

As shown in figure 3, each selected country have different values according to the dimension analyzed.

If we explore the Chinese culture through the lens of the model, we can obtain an interesting and up-to-date overview of the drivers of Chinese culture relative to other countries cultures.

Starting from power distance index, we can note how high the value is for China, Hong Kong and Russia. This high ranking indicates a society characterized by acceptance of inequalities, subordinate-superior relationship polarization, power abuse and strong influence by formal authority.

<sup>27</sup> Focusing on organizational culture related issues, 60,000 people responded from over 50 countries. Hofstede worked with IBM (at the time identified as Hermes) staff over the years 1967 to 1978 to obtain this research. From the data he obtained he provided a factor analysis of 32 questions in 40 countries. which became the basis of his characterizations of culture for each country (Hofstede 1980).

Historically a highly collectivist culture<sup>28</sup> (more cooperative with in-groups and more reluctant with out-groups), China has an high ranking (66) in MAS index: this means that, besides being a masculine society, it is also success oriented and driven as well.

Beside this aspect, the most interesting ones are UAI (Uncertainty index) and LTO (Long-term orientation): China has a low score on uncertainty avoidance. This means that adherence to laws and rules may be flexible to suit the actual situation and pragmatism is a fact of life.

The Chinese are comfortable with ambiguity: this aspect is demonstrated by the ambiguous meanings of Chinese words and sentences. Furthermore, the high value of LTO (118), means that China is a highly long term oriented society in which persistence and perseverance are normal. It's not a case if this variable is called defined as "Confucian dynamism" and measures the philosophy related with Confucianism: perseverance and thrift, personal stability, respect for tradition, honor of ancestors, and duty of financial support of parents.

These findings on China, as for all the countries involved, have received several criticisms and, like some other scholars, Hofstede is not without his protagonists and antagonists.

## **4.2 Studies review on public opinion survey in China**

The main debates are related to relevancy<sup>29</sup>, methodology used, dimensions considered and, most of all, some researchers have claimed that the study is too old to be of any modern value, particularly with today's rapidly changing global environments, internationalization and convergence (Jones, 2007). Hofstede countered saying that the cross-cultural outcomes were based on centuries of indoctrination and recent replications have supported the fact that culture will not change overnight (Hofstede

---

<sup>28</sup> China has long been a family-run country and, still is, primarily a rural nation. These two institutions are the core of China, collectivist in nature.

<sup>29</sup> Søndergaard argues that a study fixated on only one company cannot possibly provide information on the entire cultural system of a country Hofstede said he was not making an absolute measure, he was merely gauging differences between cultures and this style of cross-sectional analysis was appropriate (Hofstede 1998).

1998). Furthermore, as Søndergaard (1994) found in his research, where he compared the replications of Hofstede's studies, in the majority of the cases his predictions have been confirmed.

Besides these studies, a more recent research (Ren, 2009) shed some light on these issues, confirming the influence of Chinese culture on opinion poll surveys answers and results.

According to Ren, it is fundamental to understand how deep Chinese culture influences and drives a survey in order to understand and get a correct, objective interpretation of the results.

In contrast to Western scholars, who are suspicious of the usefulness of Chinese public opinion polls, most domestic researchers have the confidence that opinion polls could play an important role in China's political process (Ren, 2009). Public opinion polling is regarded as "a tide of expressing public opinion" (Zhao et al 2005), and some suggested that it should be incorporated into the system of the National Congress (Shi 2004). It was also observed that opinion polls are influencing policy making (Liu 2005). The functions of opinion polls include (1) reflecting social evaluation, (2) assisting decision-making in public management, (3) alarming social problems, and (4) communicating mass opinions (Yuan and Zhou 2005)<sup>30</sup>.

According to a very analytical and complete analysis, made by Ren in 2009, Chinese opinion polls require an interpretation which takes into account several typical elements of Chinese culture.

In the case of China, cultural context involves Confucian tradition and Communist legacy. This poses particular challenge to concept measurements and data analysis.

The first is that Chinese people perceive interpersonal trust differently from those in some other countries. They think of trust mostly in terms of relationships with their acquaintances rather than the general trust as expected by researchers on this topic. Second, Chinese people may confuse liberal democracy with socialist democracy promoted by the communist party itself by granting high support of a democratic system. When a new measure taking into consideration of people's attitudes to other

---

<sup>30</sup> One of the main questions related to Chinese opinion polls are related to: lack of interviewers' training, sampling problems and validity of the answers collected.

political systems is used, democratic support among Chinese people is significantly reduced. Third, cultural context can influence the strength of the association of interpersonal trust and democracy at the individual level. Specifically, people who trust in general are more likely to have pro-democratic attitudes in countries where trusting culture is pervasive.

Ren investigates three main survey problems to avoid misinterpretation of Chinese opinion polls using World Value Survey data. His analysis provides insights into the circumstances under which public opinion surveys have emerged as a promising technique to study public opinion in China. More importantly, it investigates three survey response problems in the Chinese context: item non-response, norm-seeking response, and cross-cultural response.

The World Values Survey (WVS)<sup>31</sup> data stand out as an ideal source for this research purpose.

In Ren's analysis, the last wave has been chosen and has been integrated together with the "Chinese Value and Ethics Survey (CVES) 2004" (*Zhongguo Gongmin Sixiang Daode Guannian Zhuangkuang Diaocha*), drawing a random sample of 7714 respondents in 200 townships and districts from 100 counties and cities.

Specifically, in his research Ren tries to identify the right instruments to better interpret WVS results.

The first variable to be analyzed are the "Item nonresponse": in general, when respondents fail to answer a survey question, there are three possible meanings: *don't know*, *don't care*, or *don't want to tell*. *Don't know*, as an easy expression of no idea, no opinion, and hard to choose, is mainly because of ignorance, ambivalence, or idea conflicts.

---

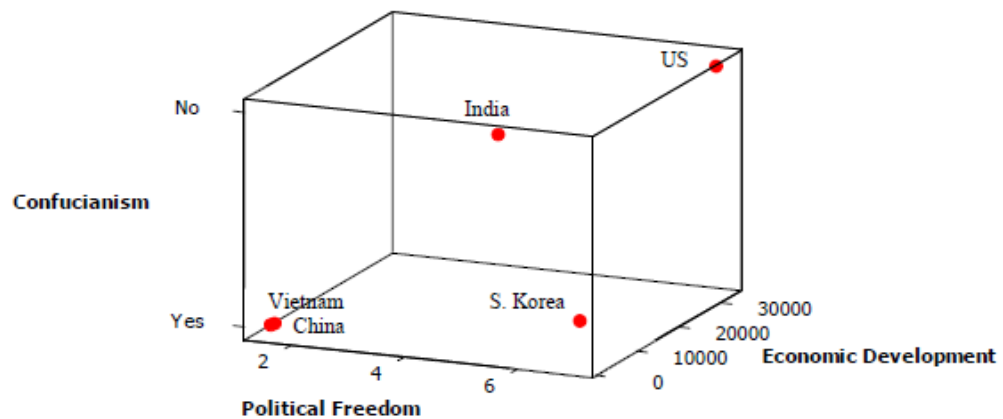
<sup>31</sup> The WVS originated from European Values Study (EVS) and extended to countries outside Europe in 1981, which constituted the first wave of the WVS. The surveys aim to be longitudinal as well as cross-cultural. The second wave of the WVS (1990) was conducted 10 years after the first and embraces 42 countries. The interval between the waves was shortened to 5 years for the third (1995), fourth (2000), and fifth (2005) waves, which includes 52 and 64 countries separately. In total, the WVS covers 81 societies containing 85 percent of the world's population. The WVS was conducted by the Institute of Social Research at the University of Michigan (ISR) in collaboration with leading survey research organizations in each country. Professor Ronald Inglehart from the University of Michigan is the principal investigator in this project. The survey covers a variety of research topics, such as socio-cultural, moral, religious, and political values and attitudes. It employs detailed questionnaires and face-to-face interview techniques in methodology. Representative samples were drawn from each country and the number varies from 1000 to 3500 per country. The WVS in China started from 1990 and continued in 1995, 2000, and 2005.



In addition to China, the countries included in Ren's research are the United States, South Korea, India, and Vietnam. These countries has been selected with three considerations in mind: *political freedom, economic development, and cultural difference*.

Looking at the results shown in figure 4, Ren exposes several interpretations: there are more “don’t know” answers among respondents from developing countries (e.g., China and India) than those from modernized countries (e.g., South Korea and the U.S.) because education is not as developed in China and India as in South Korea and the U.S.

**Figure 4: Countries in comparison (World value survey, 1999-2004 wave)**



Source: Ren, 2009

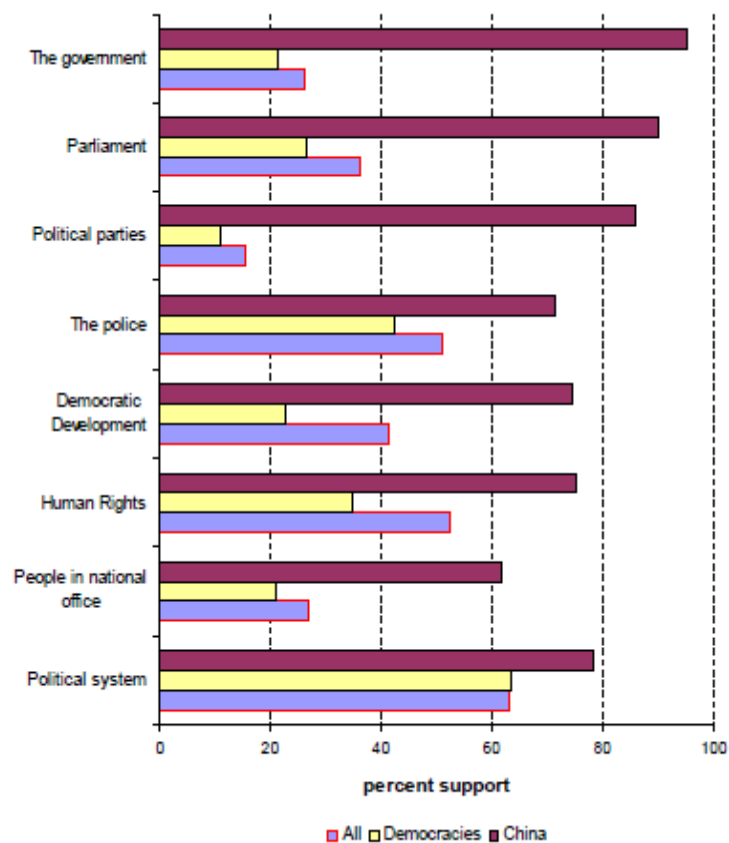
Don't know can also mean “don't care” but, like the effect of education, this political interest effect is not particular to China. It also causes a convergence, though not that drastically. It is worthwhile to note the similarity between China and South Korea in the derivative effect of political interest.

Finally, item nonresponse due to “don’t want to tell” seems to play a modest role, though we cannot claim that fear of political retribution or social desirability has no effect in Chinese surveys based on the evidence. It is found that the Chinese respondents give more “don’t know” answers to politics-related questions if other adults are present during the interview.

Another issue to be considered as crucial is related to political support.

Political support is an ideal topic to study the meaningfulness of the voiced opinions in Chinese surveys, not only because it has an “unbelievably” high level in China compared with other countries, but also because it has a “suspicious” relationship with the regime (or the degree of political freedom) at the country level (Ren, 2009).

**Figure 5 : A comparison of political support (World value survey, 1999-2004 wave)**



Source: Ren, 2009

Similar to the results from the analysis at the country level, the voiced political support in China has two dimensions: confidence in political institutions and evaluation of regime performance. China shows high levels of both institution-based and performance-based support in the group of countries studied.

These findings have at least three implications for studying survey responses on politically sensitive topics in China. First, the truthfulness of the survey responses should be justified at the researchers’ discretion. It is possible that the Chinese

respondents give norm-seeking answers to some questions on political institutions, but they do not always have the same concerns with other politically sensitive questions related to government performance. Second, individual opinions of the Chinese respondents may not be completely independent, but under the influence of political propaganda and the government's information control.

Taking Ren's research as a starting point, our case study, which has been carried out in Beijing in 2012, focuses on cross-cultural variances and impact on opinions related issues to recent social, political and economic reforms in China.

#### **4.3 Case study on Chinese scholars public opinion: evidence from an online survey**

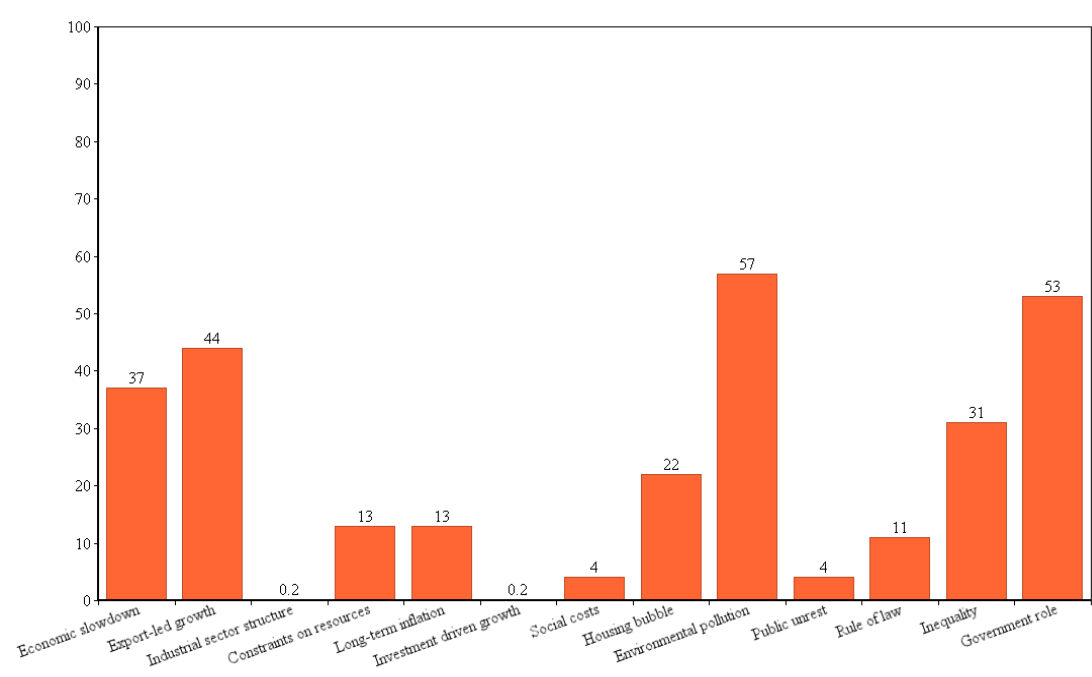
This analysis is conceived to help the understanding of possible future scenarios on economic and social development in China but specifically if, given the nationality, there are other factors affecting mindset, such as country and working environment. Therefore, a questionnaire with several open questions for comments has been developed. The survey sample, although small in size, has been selected from several Chinese economists' associations. Indeed, the originality of this research is mainly due to the population under analysis in the opinion poll: Chinese academicians and scholars working overseas and in China.

The interviews has been conducted throughout e-mail (please see appendix); during the interviews and the different answers given by the interviewees have been analyzed as well as their reports, commentaries and occasional papers appearing in journals, books, newspapers and on the internet.

The sample selected is represented mainly by Chinese Economist Association (CES), Chinese Economic Association UK/Europe, Chinese Academy of Social Sciences in Beijing, Chinese students/scholars associations worldwide and Chinese students community in Europe.

Each association has been contacted by e-mail and an ad hoc semi structured questionnaire<sup>32</sup> has been sent to each member. The analysis will focus on nationality (and related culture) influence on each issue.

**Figure 6: Main issues related to Chinese economic development (%)**



Source: Author's elaboration based on online opinion poll data

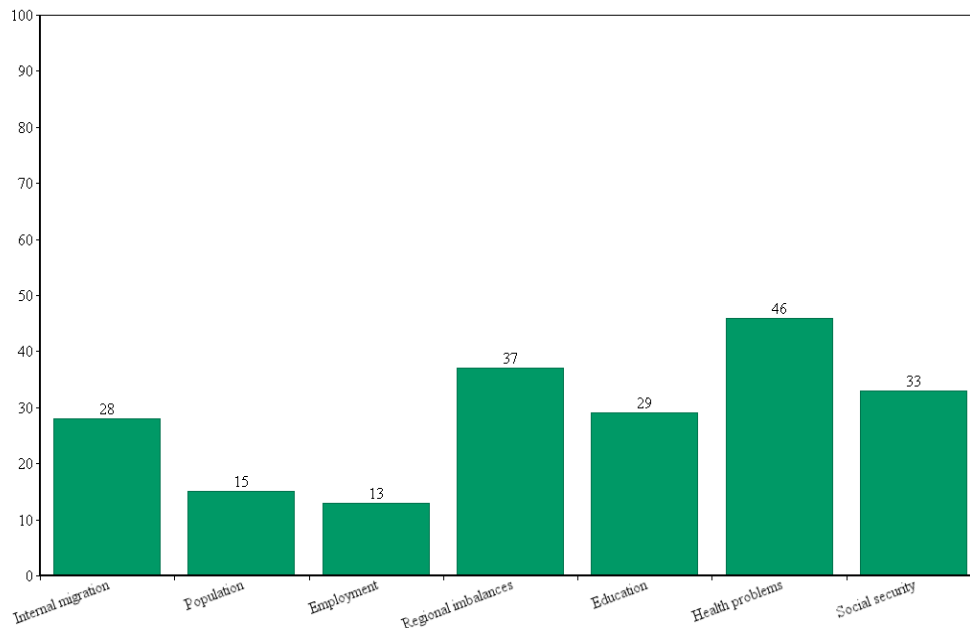
As shown in figure 6, the main issues related to future Chinese economic development are: environmental pollution (57%), Government role (53%), export-led growth (44%), economic slowdown (37%) and inequality (31%).

Observing the data in the graph it seems that respondents confirm to be concerned about the future development of their country, confirming some estimation, such as the slowdown of the Chinese economy caused by a growth model based on exports.

<sup>32</sup> The use of open-ended interviews as a research technique depends on the ability to draw out of the interview material something that is interesting and meaningful. It depends, in other words, on the ability to “read” the interviews (Piore, 2006).

Even though considering export-led growth model an issue, industrial structure has not been considered as a crucial sector to be reformed.

**Figure 7: Main issues related to Chinese society (%)**



Source: Author's elaboration based on online opinion poll data

Confirming previous results related to Chinese economy, health problems (46%), Regional imbalances (37%) and lack of social security services (33%) are considered as the main current social issues in China.

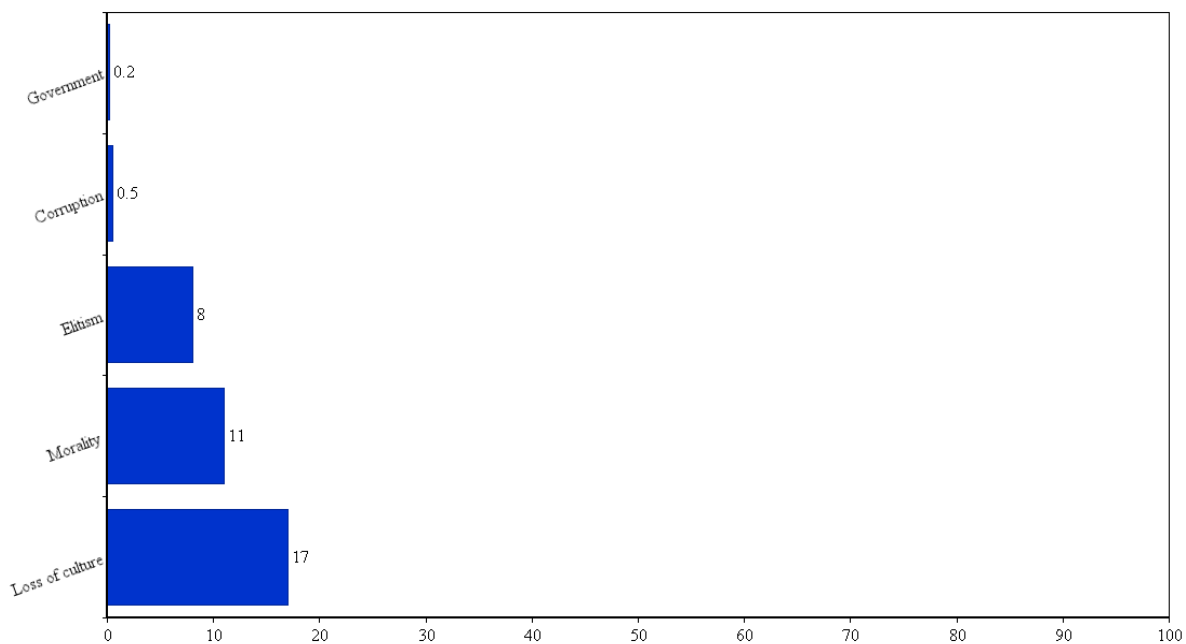
Internal migrations flows and education play a role in ensuring social balance and stability and are inequality related issues.

Despite several studies identify demographic dividend and labor market as possible critical social issues, population and employment seems not to have a crucial role in this process.

Regarding Chinese politics, respondents seem to be quite disillusioned with the new Chinese political class.

60% of the sample think that new president Xi Jinping will not be able to change China's future development pattern: the so-called “Chinese dream”, Xi's famous slogan, seem not to have a strong impact on Chinese people's public opinion.

**Figure 8: Main issues related to Chinese politics and culture**



Source: Author's elaboration based on online opinion poll data

Figure 8 shows interesting results: among current social issues in China, interviewed identify loss of culture (17%) and morality (11%) as crucial for China's future development.

World bank report on China's development has been recently published: it has been written in collaboration with Chinese Development Research Center (DRS), confirms President Xi's route change and his new vision of China future development.

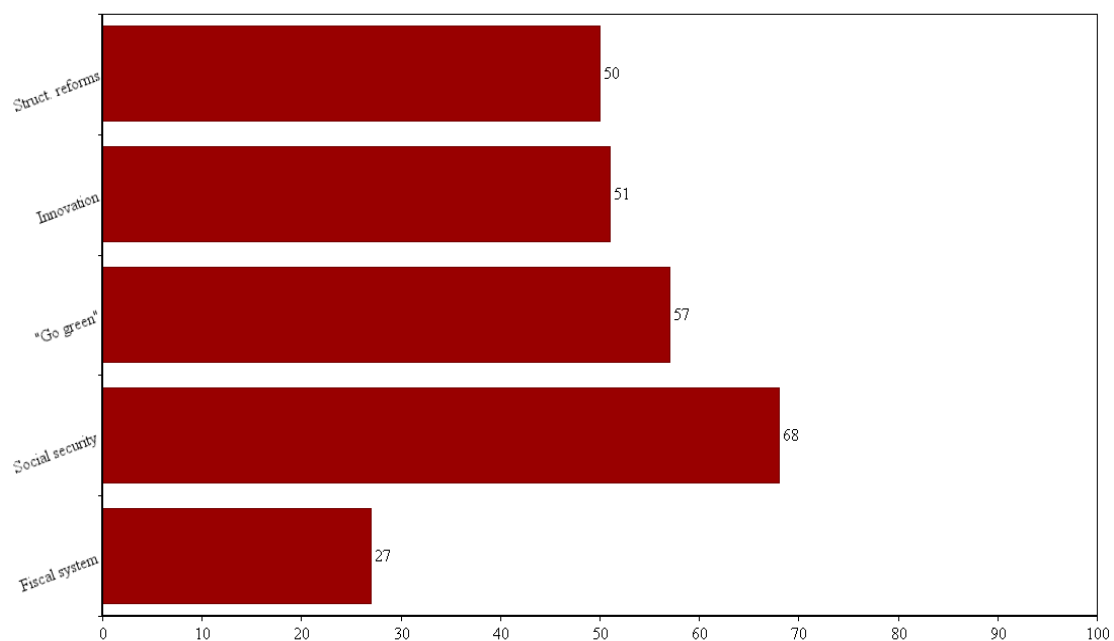
As for the previous question, figure 10 confirms this sort of “disillusion” towards institutions and political system: 62% of respondents think that “China 2030” report will not help changing China's development pattern.

Among World bank key strategies to ensure balances development, reinforcement and reform of social security system is, for 68% of the respondents, the major current issue in China, followed by “go green” (57%) and innovation (51%) related policies.

The results of the opinion polls do not claim to present any generalizable conclusions but it can be considered interesting because it partly confirms previous studies carried out by Ren (2009) and Hofstede considering: the importance of Chinese culture, Confucianism, the distance/disregard from the political class and pragmatism.

When asking scholars opinions about “*China 2030*” World Bank report and the capacity of the World Bank to change China development policies, 63% of the sample thinks that World Bank’s different perspective will not help changing policies and adopting new development pattern.

**Figure 11: “China’s 2030” report most relevant development strategies (%)**



Source: Author's elaboration based on online opinion poll data

The results of our research partly confirm previous studies on China: pragmatism, “Confucian dynamism”, cultural context involving Confucian tradition still influence Chinese people public opinions.

Looking at the data on political support and opinions related to institutional development and support to Chinese politicians, our results differ from previous studies. Chinese scholars' seem to be “disillusioned” and distant from political institutions, because it seems that, even if new president Xi Jinping and World Bank are promoting new development policies, they do not seem to believe in these new policies. These

different results, which do not claim to be generalized, can be explained analyzing the sample selected for the opinion poll: academicians and scholars are part of Chinese economists associations all over the world and part of them do not currently live or work in China.

Even if living in China, these scholars are used to work abroad and in foreign institutions and are more used to express opinions on “sensible” issues such as Chinese politics and society related issues.

## **5. Final remarks**

China’s economic performance over the past 30 years has been remarkable, providing valuable lessons for other countries seeking to emulate this success: lessons about the importance of adapting to local initiative and interregional competition; integrating with the world; adjusting to new technologies; building world-class infrastructure; and investing heavily in its people.

Chinese and western policy makers are already focused on how to change the country’s growth strategy to respond to the new challenges that will come, and avoid the “middle income trap.”

The Middle Income Trap occurs when a country's growth plateaus eventually stagnates after reaching middle income levels. The problem usually arises when developing economies find themselves stuck in the middle, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low income, low wage economies in the cheap production of manufactured goods. Avoiding the Middle Income Trap entails identifying strategies to introduce new processes and find new markets to maintain export growth. Ramping up domestic demand is also important—an expanding middle class can use its increasing purchasing power to buy high-quality, innovative products and help drive growth.

The biggest challenge is moving from resource-driven growth that is dependent on cheap labor and capital to growth based on high productivity and innovation.



That is clearly reflected in both the 11th and 12th Five Year Plans, with their focus on quality of growth, structural reforms to harness innovation and economic efficiency, and social inclusion to overcome the rural-urban divide and the income equality gap.

Reforms and reinforcement of social security system is considered as the most prominent and crucial issue in contemporary China: ensure equity and equality of access will be government's priority in the near future.

In order to understand Chinese people opinion on those reforms, an ad hoc qualitative analysis has been carried out in Beijing in 2012, involving 44 Chinese academicians.

After a general analysis of recent social and economic policies, this paper has focused on qualitative research on China social and economic issues, starting from the analyses carried out and presented by Hofstede (1998).

Considering Hofstede as a reference baseline, a specific review on Chinese culture and society characteristics' studies has been carried out based on Ren's research on public opinion surveys in China (Ren, 2009).

The results of our research partly confirm previous studies on China: pragmatism, “Confucian dynamism”, cultural context involving Confucian tradition still influence Chinese people public opinions.

Looking at the data on political support and opinions related to institutional development and support to Chinese politicians, our results differ from previous studies. Chinese scholars' seem to be “disillusioned” and distant from political institutions, because it seems that, even if new president Xi Jinping and World Bank are promoting new development policies, they do not seem to believe in these new policies. These different results, which do not claim to be generalized, can be explained analyzing the sample selected for the opinion poll: academicians and scholars are part of Chinese economists associations all over the world and part of them do not currently live or work in China.

Even if living in China, these scholars are used to work abroad and in foreign institutions and are more used to express opinions on “sensible” issues such as Chinese politics and society related issues.

## References

- ADB, 2010. Asian Development Outlook 2010: Macroeconomic Management Beyond the Crisis.
- Amighini A., Chiarlone S., 2004. Cina, *Rivista di Politica Economica*.
- Appelbaum P., Bonacich E., Quan. K., 2005. The End of Apparel Quotas: A Faster Race to the Bottom?, Center for Global Studies
- Ash R.F., 1988. The Evolution of Agricultural Policy, *China Quarterly* (116) 529-55
- Atkinson A.B., 2010. Issues in the Reform of Social Policy in China, Cairncross fund, Beijing.
- Atkinson P., Coffey A., Delamont S., 2003. Key Themes in Qualitative Research. Walnut Creek CA: AltaMira.
- Barber L.S., Yao L., 2010, Health Insurance Systems in China: a briefing note, World health report, background paper n.37.
- Biggeri M., Sanfilippo M., 2009. Understanding China's move into Africa: an empirical analysis, *Journal of Chinese Economic and Business Studies*.
- Biggeri M., Hirsch G., 2008. L'altra Cina, *Studi e Note di Economia* Anno XIII, n. 2
- Biggeri M., Gambelli D., 2008. I fattori chiave della crescita economica in Cina: uno studio a livello regionale, *Studi e Note di Economia*, Anno XIII
- Biggeri M., 2007. China in perspective: from economic 'miracle' to human development?, *Globalization and Development: a Handbook of New Perspective*
- Biggeri M., 2006. L'industrializzazione della Cina: fasi storiche e varietà geografiche. In Di Tommaso R. M., Bellandi M. 2006. *Il Fiume delle Perle: La dimensione dello sviluppo industriale cinese e il confronto con l'Italia*. Rosenberg & Seller
- Biggeri M., 2003. Key Factors of Recent Chinese Provincial Economic Growth, *Journal of Chinese Economics and Business Studies*
- Biggeri, M., Gambelli D., Phillips C., 1999. Small and Medium Enterprise Theory: Evidence for Chinese TVEs, *Journal of International Development*, 2:2, 197-219.
- Cai F., Du Y. e Wang M., 2011. Migration and Labor Mobility in China, *Human Development Research Paper*, UNDP.
- Cai F., 2008. Approaching a triumphal span: how far is China towards it Lewisian turning point?, *WIDER Research Paper*.
- Cai F. e Wang M., 2009. A counterfactual of unlimited surplus labour in rural China, *China and the World Economy*.
- Cai, F., Du Y. e Wang M., 2005. How Far is China to A Labor Market? (*zhongguo laodongli shichang zhuanxing yu fayu*), Beijing: China Commerce Press.
- Cai, F. e Wang M., 2004. Irregular Employment and the Growth of the Labor Market: An Explanation of Employment Growth in China's Cities and Towns, *The Chinese Economy*.
- Cai, F., Du Y. e Wang M., 2003. The Political Economy of Labor Migration, Shanghai: Shanghai Sanlian Bookstore, Shanghai People's Press.

- Cai F. e Du Y., 2000. The Convergence and Divergence of Regional Economic Growth in China. The Implications to Western Development Strategy, *Journal of Economic Research (Jingji Yanjiu)*.
- Cai, F. e Wang D., 1999. The Sustainability of Economic Growth and the Labor Contribution, *Journal of Economic Research (Jingji Yanjiu)*.
- Cao Y., Qian Y. e Weingast B., 1997. From Federalism, Chinese Style, to Privatization, Chinese Style, *Stanford Economics Working Paper*.
- Cavusgil, S. T., A. Das 1997. Methodology issues in cross-cultural sourcing research - a primer. *Marketing Intelligence & Planning* 15(5): 213.
- Di Tommaso R. M., Bellandi M. 2006. Il Fiume delle Perle: La dimensione dello sviluppo industriale cinese e il confronto con l'Italia. Rosenberg & Seller
- Du Y. e Pan W., 2009. Minimum wage regulation in China and its application to migrant workers in the urban labour market, *China and World Economy*.
- Gordon A. and Qiang W., 2000. Education in rural areas of China and South Africa: Comparative perspectives on policy and educational management, *Rural education programme (Johannesburg) and International Research centre (Nanjing)*.
- Gustafsson B, Shi L., Nivorozhkina L., 2011. Why are household incomes more unequally distributed in China than in Russia?, *Cambridge Journal of Economics*, Oxford University Press, vol. 35(5), pages 897-920.
- Hofstede, G. (1998). "Attitudes, Values and Organizational Culture: Disentangling the concepts." *Organization Studies* 19(3): 477.
- Hofstede, G. (1980). *Culture's Consequences: International differences in work related values*. Beverly Hill, CA, Sage.
- Johnson, T. P., 1998, Approaches to equivalence in cross-cultural and cross-national survey research , *ZUMA Nachrichten Spezial* (3) :1-40.
- Kanbur R., Zhang X., 2005. Fifty Years of Regional Inequality in China: a Journey Through Central Planning, Reform, and Openness, *Review of Development Economics*, Wiley Blackwell, vol. 9(1), 87-106.
- Kanbur, R., Zhang, X., 1999. Which Regional Inequality? The Evolution of Rural–Urban and Inland–Coastal Inequality in China from 1983 to 1995, *Journal of Comparative Economics*, (4): 686–701.
- Lemoine F., Ünal-Kesenci D., 2001. China in the International Segmentation of Production Processes, *CEPII, Working Paper*, 2002-02.
- Li X.S., Ren Y, Afridi F., 2012. Social Identity and Inequality: The Impact of China's Hukou System, *IZA DP No. 6417*, IZA.
- Lin, J.Y, Cai, F., and Li, Z., 1996. *The China Miracle: Development Strategy and Economic Reform*, Hong Kong, China: The Chinese University Press.
- Liu, L., 2005. “Min yi su qiu kai shi qiao qiao ying xiang zheng fu jue ce (Public opinion has started to influence policy making)”. *Zhongguo Xin Wen Zhou Kan* (1):40-41.
- Meng, X. 2003. Unemployment, Consumption Smoothing, and Precautionary Saving in Urban China. *Journal of Comparative Economics* (3): 465–485.

- Meng, X., 2000. *Labour Market Reform in China*, Cambridge: Cambridge University Press.
- NBS. 2011. *Communiqué on the Principal Data of the Sixth Census in 2010*. Beijing, National Bureau of Statistics of China.
- NBS. 2011. *China Statistical Yearbook 2010*. Beijing, National Bureau of Statistics of China.
- NBS. 2011. *Statistical Communiqué on China's National Economic and Social Development in 2010*. Beijing, National Bureau of Statistics of China.
- OECD, 2012. *China in Focus: Lessons and Challenges*, OECD, Paris.
- Park A., Wang D. 2010. *Migration and Urban Poverty and Inequality in China*, IZA Discussion Papers 4877, Institute for the Study of Labor (IZA).
- Pieke, F.N., Barabantseva, E., 2012. *New and Old Diversities in Contemporary China*. London: Sage.
- Pieke, F.N., 2012. *The Communist Party and Social Management in China*. *China Information*, (2): 149-165.
- Piore J.M., 2006. *Qualitative research: does it fit in economics?*, *European Management Review*, (3) 17-23.
- Pisacane G., 2009. *Manuale operativo di diritto commerciale cinese*, Greatway Advisory Ltd
- Prud'homme, Dan, 2010. *China's increasing policy shift towards more sustainable growth*, MPRA Paper 28568, University Library of Munich, Germany.
- Ravallion M., Chen S., 2007, *China's (Uneven) Progress Against Poverty*. *Journal of Development Economics*, 82/1: 1-42.
- Rawski G. T., 2011. *The Rise of China's Economy*, FPRI Vol 16, No 6
- Ren L., 2009. *Surveying Public Opinion in Transitional China: an Examination of Survey Response*, University of Pittsburgh.
- SCIO. 2012. *State Council Information Office (SCIO) holds press conference on 2011 national economic operations*, (in Chinese). Beijing, State Council Information Office.
- SFPC. 2011. *State Family Planning Commission: Chinese average life expectancy rose to 73.5 (in 2010)*, (in Chinese). Beijing, State Family Planning Commission.
- Søndergaard, M., 1994. *Hofstede's consequences: A study of reviews, citations and replications*. *Organization Studies*, (3): 447.
- State Council. 2009b. *Implementation Plan for the Recent Priorities of the Health Care System Reform (2009–2011)* (in Chinese). Beijing, State Council of the Chinese Government. English translation available on the website of the National Development and Reform Commission.
- Teixeira A., Fortuna N., 2003. *Human capital, Innovation Capability and Economic Growth* FEP Working Paper 131, Universidade do Porto
- O'Donnell O., van Doorslaer E., Rannan-Eliya R.P., Somanathan A., Adhikari S.R., Harbianto D., Garg C.G., Hanvoravongchai P., Huq M.N., Karan A., Leung G.M., Ng C-W., Pande BR, Tin K., Trisnantoro L., Vasavid C., Zhang Y., Zhao Y., 2007.

- “ The incidence of public spending on healthcare: comparative evidence from Asia”.  
World Bank Economic Review 211: 93–123.
- Shirk, L.S., The Political Logic of Economic Reform in China. 1993. University of California Press, Berkeley.
- Traub-Merz R., 2011. All China Federation of Trade Unions: Structure, Functions and the Challenge of Collective Bargaining”, Global Labor University, ILO
- Ulrich, J., 2012. Urbanization, hukou reform and investment implications, J.P. Morgan's Hands-on China Series, March.
- United Nations Development Programme (UNDP), 2005, Human Development Report 2005: Deepening democracy in a fragmented world, New York. Oxford University Press
- Wagstaff, A. Lindelow M., Wang S., Zhang S., 2009. “Reforming China’s Rural Health System”, The World Bank.
- Wang. D., 2010. Can Social Security boost Domestic Consumption in the People's Republic of China?, ADBI Working Paper Series
- World Bank and the Development Research Center of the State Council, P. R. China. 2013. China 2030: Building a Modern, Harmonious, and Creative Society. Washington, DC: World Bank. DOI: 10.1596/978-0-8213-9545-5. License: Creative Commons Attribution CC BY 3.0.
- Wu X., 2011. The household registration system and rural-urban education inequality in contemporary China, Population study center, University of Michigan.
- Xu L. et al., 2007. "Urban health insurance reform and coverage in China using data from National Health Services Surveys in 1998 and 2003", BMC Health Serv Res, 2007.7: 37
- Yao, H. 2011. “Adequately determine the level of guarantee to mitigate the medical burden of patients” (presentation by Hong Yao, MOHRSS Director General for Medical Insurance at the ISSA technical seminar on adequacy and quality of social security benefits and services, 10 October 2011, Beijing, China).
- Zhao, L, Jiang C.,2005. “Min yi biao da de chao liu (The tide of public opinion)”. Gong Chan Dang Yuan (2):10-12.
- Zhao L. Rong F., 2010. China's hukou reform: the Guangdong and Shanghai's cases, EAI Background Brief No. 551. August 13.
- Zhao Z., 2007. Earnings Instability and Earnings Inequality in Urban China: 1989–2006, IZA Discussion Papers 3270, Institute for the Study of Labor (IZA).
- Zheng Y., 2009. Society must be defended. Reform, Openness and Social Policy in China, Discussion Paper 40, China Policy Institute, Nottingham.

## **Appendix I: Online survey on economic reforms and social change in China**

China has made great progress since it opened its economy two decades ago and began a transition to a market economy.

An extraordinary modernization process has taken place, particularly in the coastal areas and cities. New industries have been developing fast, enormous progress has been made in the business environment, and the country has considerably improved its participation in the global economy in which it is now a major player. It is a unique development success story, providing valuable lessons for other countries seeking to emulate this success—lessons about the importance of adapting to local initiative and interregional competition; integrating with the world; adjusting to new technologies; building world-class infrastructure; and investing heavily in its people.

This survey will be part of my PhD thesis, which will describe and analyze the latest economic and social reforms in China understanding main issues and future development strategies from scholars perspective.

I would like to invite you to participate to this study by answering a few questions.

Your answers are confidential and will not be shared with any other people.

The records of this study will be private. You have the right not to be in the study or to stop at any time.

### **1. GENERAL INFORMATION**

1.1 Age	
1.2 Sex	
1.3 Nationality	
1.4 Country	
1.5 Research Interests	

### **2. ECONOMY**

Which are, in your opinion, the main issues related to Chinese economic development? Please choose the three most important/severe?

2.1 Slowdown in economic growth

2.2 Export-led growth model

2.3 Industrial sector structure

2.4 Constraints on resources

2.5 Long-term inflation

2.6 Investment driven growth

- 2.7 Social costs
- 2.8 Housing Bubble
- 2.9 Environmental Pollution
- 2.10 Public unrest
- 2.11 Rule of law
- 2.12 Government regulatory environment
- 2.13 Inequality

3. Is there any dimension missing?

#### 4. **SOCIETY**

Which are, in your opinion, the main social issues in China? Please choose the three most important/severe?

- 4.1 Regional imbalances
- 4.2 Population
- 4.3 Employment
- 4.4 Internal migration
- 4.5 Education
- 4.6 Health problems due to environmental pollution
- 4.7 Social security
- 4.8 Government and Law
- 4.9 Corruption
- 4.10 Crime
- 4.11 Elitism and discrimination
- 4.12 Morality
- 4.13 Loss of culture
- 4.14 Family structure

5. Is there any dimension missing?

#### 6. **POLITICS**

In your opinion, does Mr. Xi Jinping have the courage and vision to break with the past assuring his country's prosperity and stability?

- 6.1 Yes
- 6.2 No

7. If no, why?

8. To this day, China's politics is still determined by those at the high level. The hobbies and interests of those people, including the books they read, therefore,

become wind vanes that people use to guess what would happen next in politics. Wang Qishan's recommendation that people read *L'Ancien Régime et la Révolution*, written by Tocqueville.

In your opinion, why did Wang Qishan make that recommendation?

## 9. FUTURE DEVELOPMENT

China has made great progress since it opened its economy three decades ago and began a transition to a market economy. Which are, in your opinion, the first three key issues facing China's future development?

10. A great nation has a great dream: China's dream is to build a society of common prosperity and a world in which all people live together in peace and harmony. In "China 2030" World Bank's report makes up several predictions up to 2030 regarding the major future developments and trends in both China and the world from a historical and worldwide perspective.

The report is based on the strong conviction that China has the potential to become a modern, harmonious, and creative high income society by 2030 changing policy and institutional framework.

Which is your opinion on this report?

Do you think that World Bank's different perspective will help changing policies and adopting new development patterns?

10.1 Yes

10.2 No

11. "China's 2030" report underlines six important development strategies for China's future development (see the list below). Please choose the three most important key issues to focus on to ensure social stability and economic development.

11.1 implement structural reforms to strengthen the foundations for a market based economy

11.2 accelerate the pace of innovation and create an open innovation system

11.3 seize the opportunity to "go green"

11.4 expand opportunities and promote social security for all

11.5 strengthen the fiscal system

11.6 seek mutually beneficial relations with the world



## Paper II

# **Life Satisfaction in Contemporary China: An Empirical Analysis using World Value Survey**

### **Abstract**

Subjective measures of well-being have become the subject of heated discussion in the academy and beyond (Frey and Stutzer, 2010).

After a critical review of the literature on SWB, the paper focuses on China's life satisfaction studies review.

This research aims at analyzing Chinese life satisfaction exploring the economic and non-economic determinants of SWB.

In order to understand which are the main determinants of Chinese people's SWB the study analyses the main drivers and trends of China's LS by estimating an ordered logit model using 1995 and 2007 World Value Survey Data.

The results evidences the before and after the last reforms changes focusing on life satisfaction main determinants and trends.

*JEL Classification:* , D60, H41, I31

*Keywords:* China, happiness economics, world value survey, life satisfaction approach, subjective well-being, Easterlin paradox

## 1. Introduction

What makes people happy in life is a crucial question that has the potential to shake up economics as suggested by Frey and Stutzer (2002). Indeed, in recent years, the dissatisfaction with the understanding of welfare in economics summed with the new opportunities to empirically study people's subjective wellbeing have spurred stimulating new research. Economics of happiness and capability approach have emerged two of the most thriving areas in current economic and well-being economics research and, thus have been, accompanied by an impressive number of studies and empirical analyses on Life Satisfaction (LS), Subjective-Wellbeing (SWB) and the Quality of life (QoL) in general.

Questions about "the good life" and individual happiness have a long tradition in philosophy, and, if initially happiness related empirical studies were considered the priority of psychologists and sociologists and with important contributions by sociologists and political scientists, recently has this research frontier have been strongly linked to economics. In particular, the early contribution of Richard Easterlin (1974) was noted by many economics scholars, but at that time it found few followers and it is known as the wealth paradox. In few words, the analysis of time series at the national level showed that in thirty surveys over 25 years (from 1946 to 1970 in the USA) per capita real income rose by more than 60%, but the proportion of people who rated themselves as 'very happy', 'fairly happy' or 'not too happy' remained almost unchanged. The same fate occurred to the Tibor Scitovsky's book on *The Joyless Economy* (1976) (Frey and Stutzer, 2010).

Besides happiness, with the help of representative surveys, it is possible to get indications of individuals' evaluation of their life satisfaction. It can be captured with single-item or multi-item questions; a prominent example of the former is the *Euro-Barometer Survey Series* asking: "On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead?" People evaluate their level of subjective well-being with regard to circumstances and comparisons to other persons, past experience and expectations of the future. This is called Life satisfaction approach (LSA) to evaluate personal subjective well-being.

The situation, however, has changed substantially nowadays. On the one side, this debate was successfully stimulated by the Stiglitz-Sen-Fitoussi Commission on the "Measurement of Economic Performance and Social Progress" (Stiglitz et al. 2009) and

by the scholars of the capability approach initiated by Amartya Sen (1999) as well as by the research on happiness economics . Moreover, on the other side, the data collected throughout the World Value Surveys and by other statistical entities - in Italy for instance ISTAT started the BES program (BES, 2013), also the OECD started a new program in May 2011 following a decade of work on this issue, is a first attempt to bring together internationally comparable measures of well-being in line with the recommendations of the Commission of the Measurement of Economic Performance and Social Progress. Policy makers are more and more influenced and, thus, it is asked about the policy implications that can be derived from these alternative insights<sup>33</sup>.

Therefore, in recent years the debate on measuring well-being of individuals and society has come to the attention not only of the academician but to the world public opinion. The GDP is a useful measure, but insufficient to understand well-being and quality of life of a society (Stiglitz et al. 2009). The positive aspects of gross domestic product are well-known: to be a good indicator of prosperity; be concise, easily understandable and comparable at the international level; the positive correlation that it shows with some dimensions of well-being (life expectancy, democracy). However, the negative aspects are well-known too: to not take into account the accumulation of stock variables such as wealth, debt capital or natural; the exclusion of economic variables such as domestic work, volunteer, relational goods; the inclusion of dimensions associated negatively to well-being (polluting activities, energy waste, accidents), and last but not least the fact that it does not take into consideration the values and the opinion of the peoples.

Recently Easterlin (2013)<sup>34</sup> shows that a very important case study is China. The Chinese is considered the fastest growth economy in the world in the last decades is accompanied by several problematic issues (Biggeri, 2007). Impressive rates of growth of the GDP per capita were fuelled by relevant economic reforms which brought to the passage from a command economy to a socialist market economy (1978-1992) and finally from a socialist market economy to a market economy 1997-to nowadays (see Collino, 2013, paper I). Therefore, considering China, several questions emerge from this academic debate: is Chinese rate of growth of GDP per capita been followed by an increase in life satisfaction in the last two decades? Which are the main determinants of Chinese LS?

---

<sup>33</sup> Recently, for instance, a World Happiness Report (Helliwell et al. 2012) has been published developing further the aspects on subjective well-being.

<sup>34</sup> In 2012, he was keynote speaker at the Conference on International Society for Quality-of-Life Studies conference in Venice, Italy

The objective of this paper is to explore the determinants of Chinese LS before and after the reforms in the last two decades analyzing the data collected by the World Value Surveys. The paper is divided into the following five sections. In the second section a short literature review on Economic growth-Happiness Puzzle and analyzing subjective well-being related theories including Easterlin paradox is presented. The third section presents the main debates and critics to happiness economics related theories, underlying and analyzing the most important theoretical approaches. In the fourth section the paper explores Chinese people's life satisfaction determinants firstly by presenting a review on and later presenting an econometric analysis using the data of 1995 and 2007 of the World Value Survey data base. In order to perform the estimates an *ordered logit* model is applied. The results are reported and analyzed. In the last section the main conclusions are given .

## 2. Conceptual framework: the debate on SWB, Happiness LSA and the determinant of LS

### 2.1 Well-Being and Life satisfaction: Empirical Answers to Philosophical Questions

Over the years since classical Greek time, philosophers have tried to shed light on the concept of well-being by developing and defending various accounts, or conceptions, of well-being.

The Greeks saw the key ethical question as ‘What is the good life?’

**Table 1: Philosophical approaches to Well-being**

<i><b>Philosophical tradition</b></i>	<i><b>Definition</b></i>	<i><b>Main philosophers/exponents</b></i>
<b>Hedonia</b>	<p>“Subjectivist” position. WB as positive emotional state that accompany satisfaction of desire.</p> <p>WB as an internal state which represents a variety of subjective evaluations about the quality of one’s life, affective, cognitive and emotional components.</p> <p>WB as end process, life objective.</p>	Aristippus, Epicurus, Bentham, Locke, and Hobbes

<b>Eudaimonia</b>	<p>“Objectivist” position, WB is judged from the outside, according to whether it was a life of excellence and virtue.</p> <p>Virtues of: justice, kindness, courage, and honesty.</p> <p>Main determinants: purpose, autonomy, competence, self-realization, mindfulness, self-acceptance, authenticity, values congruence, and social connectedness.</p> <p>Wellbeing and happiness are on-going processes.</p>	Aristotle, Plato, Zeno of Citium,
-------------------	---	-----------------------------------

Two approaches emerged: the hedonic tradition, which accentuated constructs such as happiness, positive affect, low negative affect, and satisfaction with life (e.g., Bradburn, 1969; Diener, 1984; Lyubomirsky and Lepper, 1999); and the eudaimonic tradition, which highlighted positive psychological functioning and human development (e.g., Ryff, 1989a; 1989b; Waterman, 1993).

For Aristotle, it consists of ‘virtuous activity’, using our reason in the development of our characters, our actions and thinking, over a relatively long period; it is not a feeling, or a state (Chekola, 1975). It is, he claims, *final* – the ultimate aim of our desires; and *self-sufficient* – when we have it we lack nothing significant (Aristotle 1915: Book I). The utilitarians held a view of happiness that sees it as either pleasure or as a collection of pleasures. Jeremy Bentham claimed: ‘By utility is meant that property of any object whereby it tends to produce benefit, advantage, pleasure, good or happiness, (all this in the present case comes to the same thing)’. (Bentham 1780 [1967: 368]). John Stuart Mill’s view sees happiness as a collection of pleasures, but is complicated by the fact that ‘qualities’ of pleasures may make a difference (Chekola, 1975). He claims, about happiness, that [It is] not a life of rapture, but moments of such, in an existence made up of few and transitory pains, many and various pleasures, with a decided predominance of the active over the passive and having, as the foundation of the whole, not to expect more from life than it is capable of bestowing. (Mill 1963: 255).

The utilitarians, of course, had significant influence on the development of economics. Therefore, the conception of “subjective well-being” in the literature is constituted by a cognitive, hedonic, emotional, or mood state, or some combination, and about whether to call that state “happiness,” “satisfaction,” or something else entirely (Angner - 2009).

According to Bengt Brülde (2007), there are cognitive views, sometimes referred to as attitudinal views, according to which well-being is a cognitive state or attitude towards one's life as a whole. Second, there are affective views, according to which subjective well-being is an affective state of some kind. There are at least two different kinds of affective views. On hedonistic views, subjective well-being is understood in terms of the presence of pleasure and the absence of pain (Angner - 2009).

For many proponents of subjective measures, well-being is identical to happiness.

The question 'What is happiness?' is hence ambiguous: sometimes the question is about what its *nature* is; sometimes the question is about what its *conditions*, antecedents or determinants are, or how it might be brought about (adequate income, satisfying personal relationships, meaningful work and so on). It is the *nature* of happiness with which has to be defined.

Campbell (1976, p. 117) was trying to measure the "quantum of happiness."

However, according to several researchers such as Seligman and Mihaly Csikszentmihalyi emphasize "Subjective well-being is a more scientific-sounding term for what people usually mean by happiness" (Seligman and Csikszentmihalyi, 2000, p. 9). There are other passages that are important to recall as the one of Kahneman who explicitly asserts that he uses "well-being" as a synonym for "happiness." He writes: "We distinguish two notions of happiness, or well-being" (please note that the two terms are thus used interchangeably in this chapter" (Kahneman, 1999, p. 5). "Happiness" was also the term used by Richard E. Easterlin (1974), who can be credited with bringing research on subjective well-being to the attention of economists.

The SWB method relies on an individual's capacity to assess her own feelings of happiness and satisfaction with life and builds on the assumption that subjective well-being is conceptually and empirically equivalent to utility. The consensus among happiness researchers is that "happiness scores measure true internal utility" (DiTella and MacCulloch, 2006) and that "measures of subjective well-being can (...) serve as proxies for utility" (Frey and Stutzer, 2002).

One of the appeals of the SWB approach is that it offers the possibility of exploring questions which have remained without answers due to a lack of behavioral evidence. Happiness and life satisfaction questions have been used, among other things, to value non-traded goods [Rafeal Di Tella and MacCulloch(2004)], life events and macroeconomic circumstances (Rafael DiTella and Oswald, 2001).

**Table 2: Objective and subjective well-being: definitions and determinants**

<i>Approach</i>	Definition	Main determinants
<b>Objective well-being (OWB)</b>	Objective measures when assessing well-being, welfare or developmental achievements.	<ul style="list-style-type: none"> <li>• <i>Material</i> income, wealth, assets, employment, consumption levels)</li> <li>• <i>Social</i>: socio-political-cultural identity, conflict, security, relation with the State, access to services, environmental resources</li> <li>• <i>Human</i> household structure, education, physical health, relation of love and care</li> </ul>
<b>Subjective well-being (SWB)</b>	<p>SWB refers to people's evaluations of their lives and encompasses both cognitive judgments of satisfaction and affective appraisals of moods and emotions.</p> <p>This conceptualization emphasizes the subjective nature of happiness and holds individual human beings to be the single best judges of their own happiness</p>	<ul style="list-style-type: none"> <li>• <i>Material</i> satisfaction with income, assessment of one's standard of living compared to the past and to others</li> <li>• <i>Social</i> perception of safety, respect and discrimination, (dis)satisfaction with access to services, perception of environment quality)</li> <li>• <i>Human</i> (dis)satisfaction with household structure, education, physical health, relation of love and care, trust and confidence.</li> </ul>

**Table 3: SWB approaches: definitions and determinants**

<b>Specific SWB approach</b>	<b>Definition</b>	<b>Main determinants</b>
<b>Happiness</b>	Sometimes defined as a high ratio of positive to negative feelings, or as a sense of satisfaction with life. The feeling of happiness is very subjective and depends not only on external factors. It includes both eudaimonic and hedonic aspects.	Combining economists' and psychologists' techniques and thereby using a wider definition of utility than is traditionally used by most economists. It does not seek to replace income-based measures of welfare but instead to complement them with broader measures of well-being.
<b>Life satisfaction approach (LSA)</b>	General appraisal of life as a whole on the basis of a multidimensional vector of specific appraisals in more concrete spheres of being.	According to Cummins (1976), there are six main dimensions: material well-being, health, productivity, intimacy, safety, community, and emotional well-being. Analysis of different domains of life (health, financial situation, job, housing, leisure, and environment) and satisfaction with life as a whole.
<b>Quality of Life (QoL)</b>	It is usually referred to the definition of World health organization introduced in 1995 – [Quality of life] is an individual's perception of their position in life in the context of the culture and value systems in which they live]	Objective and subjective measures: goals, expectations, values and concerns incorporating, physical health, psychological state, level of independence, social relations, personal beliefs and their relationship to salient features of the environment quality of life refers to a subjective evaluation which is embedded in a cultural, social and environmental context. (World Health Organization Quality of Life (WHOQOL Group, 1995).
<b>Capability approach</b>	The approach emphasizes functional capabilities, the importance of	Individuation of interrelated functionings and opportunity freedom. Amartya Sen argued for five components in assessing capability: 7. The importance of real freedoms



	<p>freedom of choice, individual heterogeneity and the multi-dimensional nature of welfare. Amartya Sen defines capability as a reflection of the freedom to achieve valuable functionings</p>	<p>in the assessment of a person's advantage</p> <ol style="list-style-type: none"> <li>8. Individual differences in the ability to transform resources into valuable activities</li> <li>9. The multivariate nature of activities giving rise to happiness</li> <li>10. A balance of materialistic and non materialistic factors in evaluating human welfare</li> <li>11. Concern for the distribution of opportunities within society</li> </ol>
--	--	--

While in most research the words well-being, happiness and life evaluation are used interchangeably, strict meanings to those terms have been assigned in our research.

Despite the importance of distinction of different types of well-being most empirical research in

the field ignores the variety of measures (e.g. Easterlin, 2003).

The *onion* theory of psychological well-being proposed by Czapinski (1994) describes three layers of well-being: willingness to life (the most basic and the least dependent of external circumstances), general subjective well-being (evaluation of the life), domain satisfaction (for example, satisfaction with financial or family life). Czapinski (1994) did not only describe the layers of the well-being, but also showed that the inner levels are less dependent of changes in circumstances. Comparing determinants and state-dependance of three different types of well-being such as life evaluation (LSA and quality of life studies) and happiness, several juxtapositions and differences can be found.

Juxtaposition in terms of definition differences because happiness is more emotional and the others are more cognitive. Life evaluation and happiness refer to two ways of assessing life and both types of well-being are autoregressive. However, despite this similarity there are substantial differences in determinants of both measures. While temporary changes in income, health and labor status have no effect on life evaluation, they affect happiness. As a result the socio economic factors are more important as the determinant of happiness than life evaluation.

As it is showed in table 3, all the different approaches and definitions are interlinked

and problems related to definitions can be found.

Even if Sen's capability approach greatly differs from other approaches, there are several interlinked dimensions. These approaches differ markedly when it comes to how they view self-reflective judgments. Sen views self-reflective, deliberate judgment as a central point in his capability approach. It is through reactive judgment that people come to conclusions about what parts of their life they should be critical of, and what they should value; while all approaches take the issue of human adaptation and the process of reflective judgment seriously, the different concepts of well-being lead each of them to deal with these issues in dramatically different ways.

While happiness and LSA may be a sufficient criteria for evaluating certain simple life-situations, it may play a much smaller role when it comes to the complex task of evaluating the broader issues in one's life and society.

In order to have a clear and complete evaluation and overview, a multidimensional and interlinked approach should be used.

## **2.2 “Easterlin paradox”**

The paper published by Brickman and Campbell in 1971, under the telling title “Hedonic relativism and planning the good society”, can be considered the starting point of the new studies on happiness and its paradoxes related to the economic domain. In their study, the two psychologists extended the “adaptation level” theory to individual and collective happiness, reaching the conclusion that bettering the objective conditions of life (income or wealth) has no lasting effects on personal well-being (Bruni and Porta, 2005). Two economists, Richard Easterlin (1974) and Tibor Scitovsky (1976) were persuaded, however, that what was going on in that field of psychology could have something important to say for economic analysis; so, the “paradox of happiness” entered economics, bringing economic science back to its classical origins. In fact, the relationship between wealth and happiness was central in the classical tradition (Bruni and Stanca, 2005).

In the last three decades a number of studies have reported evidence on the income-happiness paradox. In cross-sectional studies, higher income is generally associated with higher subjective well-being across individuals, although the effect is relatively small, and GDP per capita and subjective well-being are positively and strongly correlated across countries (see e.g. Diener et al.,

1999). However, over time happiness does not grow with income: countries with fast-growing GDP per capita have not shown corresponding increases in well-being (e.g. Easterlin, 1974, Veenhoven, 1994, Oswald, 1997).

One of the main explanations of the income-happiness paradox is based on the role of rising aspirations (e.g. Easterlin, 1995, 2001, Frey and Stutzer, 2002a,b).

In this view, what matters for happiness is not income per se, but the gap between income and material aspirations. To the extent that aspirations rise together with income, subjective satisfaction may remain unchanged as income rises (Frey and Stutzer, 2010).

Material aspirations of individuals, in turn, are influenced by two main processes (see Stutzer, 2004). On the one hand, the adaptation to past income and consumption levels: people tend to adapt quickly to higher income and consumption levels. As a consequence, additional material goods provide extra satisfaction only temporarily (Frey and Stutzer, 2010).

On the other hand, the comparison with other people's income (Easterlin, 1995): people tend to compare themselves with relevant reference groups in assessing their income and consumption levels. Consequently, they tend to be less satisfied comparing themselves with their neighbours who report higher levels of income.

A number of studies have provided evidence on the role of aspirations for individual happiness. In a recent paper, Stutzer (2004) uses income evaluation measures as a proxy for aspiration levels and shows that higher income aspirations reduce individual subjective well being, *ceteris paribus* (see also Stutzer, 2005). He also finds evidence that aspirations rise with own income levels and with the average income of others, consistently with processes of adaptation and social comparison.

Clark and Oswald (1996) provide evidence on the role of social comparison for subjective well-being.

Kahneman (2000) makes a distinction between two types of treadmill effects, namely, the hedonic treadmill and the satisfaction treadmill. Whilst the hedonic treadmill depends on adaptation, the satisfaction treadmill depends on aspiration (Bruni and Stanca, 2005).

A similar distinction between the two treadmill effects is made by Frey and Stutzer: "This process, or mechanism, that reduces the hedonic effects of a constant or repeated stimulus, is called adaptation. According to aspiration level theory, individual well-being is determined by the gap between aspiration and achievement" (Frey and Stutzer,

2005, p. 125).

### **2.3 Determinants of Subjective well-being**

In addition to specific reviews on the measurement of subjective well-being from an economic perspective and on the potential of the approach to capture individual welfare, there are several reviews assessing the new approach in general: the most valuable review articles include, for example, Di Tella and MacCulloch (2006), Dolan et al. (2008) and Stutzer and Frey (2010). Reviews in books are provided in Bruni and Porta (2005, 2007), Diener et al. (2010), Frey and Stutzer (2002a), Frey (2008), Layard (2005) and van Praag and Ferrer-i-Carbonell (2004).

A large part of happiness and QoL and LS researches in economics, therefore, explores the determinants of subjective wellbeing.

According to the literature (Diener, 1984), four main factors can be considered as the main drivers of happiness/life satisfaction:

- **Income**

It is by far the most prominent in economic happiness research. This might not come as a surprise as income or a person's material living standard, normally captured by GDP or GNP, is the main empirical indicator of individual welfare in received economics, but, as confirmed by the literature (Easterlin, 1974), could not be considered as the main driver of life satisfaction and subjective well-being.

- **Employment**

There is a long tradition of research on the conditions at the workplace that contribute to a satisfying job and job satisfaction is considered one of the determinants of subjective well-being.

In early contributions written by Easterlin (2002), as well as in many more recent empirical analyses, being unemployed is related to lower subjective well-being than being employed: it reflects that individual unemployment involves costs due to a loss of social status, self-esteem, and personal relationships.

- **Social capital**

It turns out that happiness depends much on personal relationships, i.e. the quantity and quality of social relations that people have with family, friends, work mates and fellow community members. If these relationships, often referred to as social capital, are good, people experience high subjective well-

being (Frey and Stutzer, 2002).

- Health

Researchers in social sciences other than economics have been studying the relationship between health and happiness for years. They document negative correlations between ill health and subjective well-being. Economists are reluctant to claim the identification of causal effects going from health to happiness (Frey and Stutzer, 2005).

There are, of course, many more factors that affect individuals' well-being and that are of interest to economists. This not only holds for economic variables like income inequality (see, e.g., Alesina et al. 2004) but also for socio demographic characteristics that are affected by public policy such as, for example, the level of education (see, e.g., Easterlin, 2013). Moreover, political economists emphasize the role of basic political institutions of democracy and federalism (e.g., Nussbaum, 2000 Stutzer 2000), while environmental economists hint to evidence on, for example, the effect of air pollution on people's subject

This paper follows the life satisfaction conception, which is expected to be less volatile and more cognitive oriented than happiness (Sirgy, 1995).

Argyle states that satisfaction is one of the main components of happiness, satisfaction is the cognitive part- a reflective appraisal, a judgement, of how things are going". Rojas (2004a) argues that there is a conceptual referent for happiness, implying that a person's evaluation of her own life involves a judgmental process. Hence, life satisfaction is probably closer to the philosophers' conception of well-being as a happy life, which involves a person's judgment of her life (Tatarkiewicz, 1976).

The domains-of-life literature states that a person's life can be approached as a general construct of many specific domains; and that life satisfaction can be understood as the result of satisfaction in the domains of life (Cummins, 1996; Praag and Ferrer-i- Carbonell, 2004)

### 3. Main debates on happiness and LSA studies

The very notion of systematic happiness research is often greeted with disbelief (Garton Ash, 2009). One line of criticism objects that subjectively experienced mental states like happiness and satisfaction cannot possibly be measured.

Wilfred Beckerman, in a defense of GNP as a measure of welfare, claims that “[the] concept of happiness is one for which there can be no scientific objective measure” (Beckerman, 1975, p. 53). In response to this challenge, proponents of subjective measures argue that the general procedures that must be followed when validating a scientific measure are uncontroversial, that widely used measures of happiness and satisfaction have passed the basic tests mandated by these procedures, and that those who would reject the validity of subjective measures have failed to marshal any empirical evidence against them (Diener, Lucas, Schimmack, & Helliwell, 2009, chap. 5). By now it is in fact widely acknowledged that subjective measures represent “something” (Schokkaert, 2007, p. 415).

One of the main critics about the validity of happiness measures and estimations has been made by Frances Stewart in her famous work “against happiness”.

She claims that *adaptation* to circumstances can be considered one of the main issues related to the difficulties of “objectivization” and comparability of happiness/life satisfaction coefficients.

According to Stewart, an integrated approach (happiness and capabilities) could be a good solution to make it more complete and trustable.

Some criticisms of the life satisfaction approach to happiness analysis, are primarily those of Michael Pendlebury (2000) and Margaret Urban Walker (1998). Both see a life plan view of happiness or well-being as ‘careerist’. Walker claims that it is part of an overemphasis on autonomy, failing to see people’s lives as ‘situated’ and connected integrally with others (1998: 131).

Both claim that this sort of view does not describe the lives of many people. It is normative and *ascriptive*, rather than *descriptive*, valuing and recommending a life lived as something like a career. Walker claims that the view embodies middle-class values about life, and leaves out the lives of people who are less well-off and often forced to make decisions by circumstance, unable to be guided as much by the future (ibid.: 134–5).

The main debates regarding happiness studies can be divided into three main

approaches, i.e. Happiness studies, life satisfaction/quality of life and capability approach.

This division permits us to capture a major difference between subjective measures of well-being, traditional economic welfare measures, and welfare indicators inspired by the capability approach. It has been noted elsewhere that traditional economic welfare measures are based on preference-satisfaction accounts of well-being (Angner, 2009a). Several authors emphasize the subjective character of well-being, as they use the term, by contrasting subjective measures with “objective” ones, including social and economic indicators.

Objective-list accounts of well-being say that some things – such as knowledge, rational activity, the development of one’s abilities, having children, awareness of true beauty, and the like – are good or bad for a person whether or not she wants those things or would be made happier by having them (Parfit, 1984, p. 499). The *capability approach*, due to Amartya Sen (1985), is the most prominent effort to develop a defensible objective-list account of well-being. The capability approach centers on the concepts of *functioning* and *capability*.

The capability approach characterizes individual well-being in terms of what a person is actually able to do or to be (see Sen 1985, 1993, 1996).

Capabilities and functionings achieved are strictly related to the intrinsic characteristics of the people (age, gender, health and disability conditions) as well as to environmental circumstances (at the social-economic and institutional level but also referred to the household environment); and the conversion process of the available resources into wellbeing is strictly related to and dependent on these individual and environmental features (Chiappero Martinetti, 2000).

What makes the capability approach an objective-list account of well-being is that it says that some things – to wit, capabilities – are good for us whether or not they will make us happier, and whether or not we desire them. As three prominent followers of Sen’s put it, “capabilities and functionings have value in themselves: ‘intrinsic value’” (Angner, 2009).

Recently, there has been a spate of efforts trying to integrate happiness studies with the capability approach (*Happiness and Capability*, Bruni, Comim, and Pugno, 2008).

As showed in the previous paper of this thesis, it is very difficult to identify a unique valid measure/method to analysis people's happiness.

Recognizing the validity of subjective measures of well-being, basing our analysis on

previous papers and reports (see introduction and previous papers of this thesis), our conceptual framework will follow the life satisfaction conception, which is expected to be less volatile and more cognitive oriented than happiness (Sirgy, 1995).

Argyle (2009) states that “*satisfaction is one of the main components of happiness, satisfaction is the cognitive part- a reflective appraisal, a judgment, of how things are going*”.

Rojas (2004a) argues that there is a conceptual referent for happiness, implying that a person’s evaluation of her own life involves a judgmental process.



#### 4. China's Life Satisfaction: review of the empirical studies

The literature analyzing the determinants of Chinese people SWB and happiness is very limited. One set of studies has focused on determinants of the happiness of specific demographic groups, such as adolescents or the elderly (Chen, 2003) or specific occupations (Nielsen *et al.*, 2010). Other studies have considered happiness in rural China (Knight *et al.*, 2009; Knight and Gunatilaka 2009a, 2009b) or urban China (Appleton and Song, 2008; Smyth *et al.*, 2008; Smyth *et al.*, 2010).

Another strand of research has focused on job satisfaction, analyzing specific groups such as internal migrants: Heerink *et al* (2013) demonstrated that age and gender do not have a strong impact on JS evaluation (the same results have been found by Clark *et al*, 1998 and Bender *et al*, 2005), while job related variable play a major role on their evaluation.

Earlier works offer mixed results, from life satisfaction “falling” to “constant” to “rising” (Easterlin, 2013). On the downtrend side there is an article by Brockmann *et al.*, Kahneman and Krueger’s reading of the evidence tends toward “constant,” but “declining” is also viewed as within the realm of possibility.

Two Gallup report offer a “flat line” conclusion as does a study by Knight and Gunatilaka.

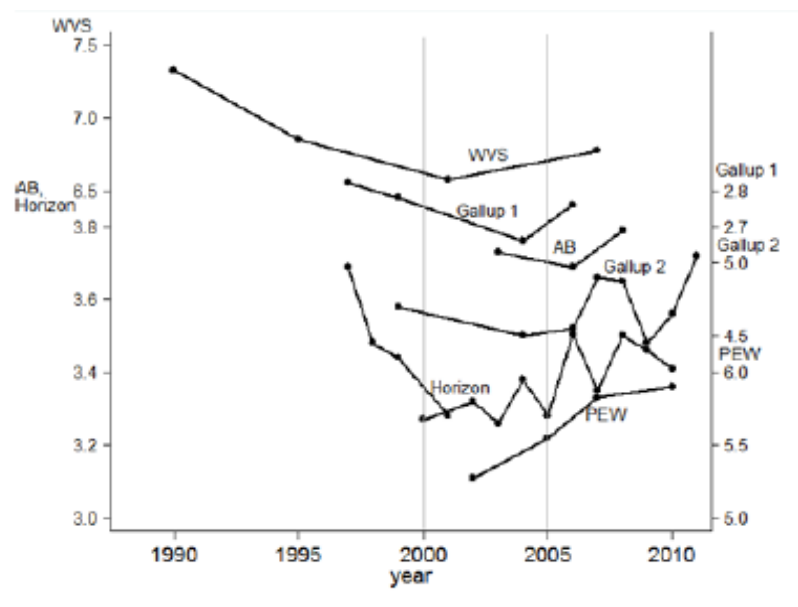
The basis of the Knight-Gunatilaka conclusion is an earlier collaborative article by one of the current authors. A recent report of the PEW Research Centers estimated that China as experiencing rising life satisfaction along with rising incomes (Easterlin, 2013).

The most complete study on China's life satisfaction determinants and trends has been made by Easterlin, that has integrated several surveys<sup>35</sup>, reporting a declining in China’s life satisfaction from 1990 to around 2000--2005 and then an upward turning forming, for the period as a whole, a U- shaped pattern (Figure 1).

---

<sup>35</sup> World Value Survey ([www.worldvaluessurvey.org](http://www.worldvaluessurvey.org)), Gallup survey ([www.gallup.com](http://www.gallup.com)), Horizon surveys (<http://www.agmr.com/members/horizon.html>), 2011 Global Attitudes Project by the PEW Research Center (<http://www.pewglobal.org/category/datasets/>) and Asiabarometer ([www.asiabarometer.org](http://www.asiabarometer.org)),

**Figure 1: Mean Life Satisfaction in China, Six Series, 1990-2010<sup>36</sup>**



Source: Easterlin R., 2013

Studies of life satisfaction by Chinese scholars are growing in number, but their main limitation is their focus on point-of-time differences.

One of China's premier survey organizations, Horizon Research Consultancy Group, has conducted a number of valuable quality of life surveys that include questions on life satisfaction. These data are reported in the "Blue Books" issued annually by the Chinese Academy of Social Sciences, but there is virtually no discussion of longer term movements.

Besides time related issues, the sample chosen can be considered as another limitation of previous studies: many papers focus on specific groups of analysis, such as rural or urban citizens and few of them (due to statistical difficulties) on floating population.

It is almost to have a broad picture of life satisfaction trends in China understanding which are the main determinants and trends from a macroeconomic point of view.

This is also very difficult due to the heterogeneity of the country and to the different development stages among eastern, central and western provinces, but it would be useful to have an analysis that can be considered as a "reference" to be compared with single groups/samples LS trends.

<sup>36</sup> The integer response options of the series are, respectively: WVS, 1-10; Gallup 1, 1-4; AB, 1-5; Gallup 2, 0-10 except 1999, 2004, 1-10; Horizon, 1-5, except 1997-1999, 2001, 1-4; PEW, 0-10. Series with response options of 1-4 or 1-5 are plotted to twice the scale of series with 1-10 and 0-10 response options.

Our research tries to shed some light on this issue, analyzing life satisfaction trends and determinants at national level focusing not only at a point of time, but choosing two reference time periods: 1995 and 2007, prior and after some important economic and social reforms.

The aim of our research is to understand if changes in life satisfaction evaluation has occurred in one decade understanding its main determinants and trends.

## 5. China's Life Satisfaction before and after recent reforms: an empirical analysis

The objective of this section is to understand which is our research framework of analysis from the theoretical and then empirical point of view.

Theoretically, the main condition of our analysis of happiness is that it is the realizing of a life plan. The notion of a life plan is founded on an understanding of human behavior according to which there is a stratification of desires into higher- and lower-order desires. The life plan is understood to be the set of higher-order desires (ends) of a person. Typically these will include desires about the kind of person one wants to be, life goals (which may include a career), desires concerning relationships with others. This could be called an *inclusive* end, for it has as its object the harmonious and orderly satisfaction of a number of desires.

The realization of a life plan can be called the “Life Satisfaction Approach” (LSA) (for a review, see, Frey et al. 2010), which is expected to be less volatile and more cognitive oriented than happiness (Meadow HWDO, 1992; Michalos, 1980; Sirgy HWDO., 1995).

This section is structured in the following manner: after explaining the baseline interpretative model, we then show our data and descriptive statistics, describing our estimation procedure an econometric model.

### 5.1 An interpretative model

The empirical model used in this paper is based on Heerink *et al.* (2013) paper, which estimates job satisfaction of second generation rural-urban migrants in China. The model used for the estimation is the following.

$$JS_i = f(\alpha DC_i, \beta FC_i + \gamma ED_i, \delta OC_i, \theta WC_i)$$

where JS is job satisfaction the dependent variable which is related to the following independent variables: **DC** denotes a set of variables capturing demographic characteristics<sup>37</sup> **FC** is a set of family characteristics<sup>38</sup>. Educational characteristics of the Chinese citizens are denoted by **ED**. The occupational characteristics of the migrant are

---

<sup>37</sup> It comprises age, sex and place of origin.

<sup>38</sup> It includes the number of family members in the home village, marital status, and the number of minor children.

denoted by **OC**<sup>39</sup>. The last set of explanatory variables represents working conditions (**WC**)<sup>40</sup>.

## 5.2 Estimation procedure

The model chosen for our analysis is *ordered logit*, which is a regression model used for ordinal dependent variables; it is an extension of the logistic regression model that applies to dichotomous dependent variable, allowing for more than two (ordered) response categories. Based on our literature review, we tried to adapt the reference model on our assumptions related to life and job satisfaction nexus, choosing life satisfaction as dependent variable and leaving demographic, family and education covariates equal to the reference model. Hence, we estimate the following equation:

$$LS_i = c + \alpha DC_i + \beta FC_i + \gamma ED_i + \delta OC_i + \theta WC_i + \varepsilon_i$$

for  $i=1, \dots, n$

where, *LS* is life satisfaction (scale 1-3), *DC* denotes a set of variables capturing demographic characteristics comprising age, sex and place of origin. Unfortunately, World Value Survey dataset reports no data on *hukou* status, the only available data are related to the place of origin. The results are quite intuitive: the sample, whose place of origin is located in the western provinces, report lower levels of life satisfaction (on average and both in 1995 and 2007). *FC* is a set of family characteristics including marital status and a dummy variable if having children. Educational characteristics are denoted by *ED*. We distinguish between population with low, middle and upper education level. The occupational characteristics of the sample are denoted by *OC*. It includes variables representing the job category. The last set of explanatory variables represents working conditions (*WC*), which includes income level and health status. Finally,  $\varepsilon$  represents the error.  $c, \alpha, \beta, \gamma, \delta$  and  $\theta$  represent the (vectors of) unknown coefficients. Since life satisfaction is an ordinal variable, we use an ordered logit regression model to estimate the equation. The main object of our research is to understand life satisfaction determinants and if and how job related variables are considered important and determinants of Chinese people life satisfaction. Considering that life and job are interlinked, we attempt to examine the factors that are related to the

---

<sup>39</sup> It includes variables representing the job category, employment type and how the migrant found the job.

<sup>40</sup> It includes income and health status.

existing difference in life satisfaction, but will not try to unravel the more complex questions about direction of causality.

### **5.3 Data and descriptive statistics**

The World Values Survey is a global research project that explores people's values and beliefs, how they change over time and what social and political impact they have. It is carried out by a worldwide network of social scientist who, since 1981, have conducted representative national survey in almost 100 countries. The WVS is the only source of empirical data on attitudes covering a majority of the world's population (nearly 90%)

This survey provides information on individual beliefs about politics, the economy, religious, social and ethical topics, personal finances, familial and social relationships, happiness and life satisfaction. WVS is a compilation of surveys conducted in more than 80 countries representing about 85 per cent of the world's population.

Within each country, samples are selected randomly "from all administrative regional units after stratification by region and degree of urbanization" (Inglehart et al., 2000, p. 7). The first wave (1980-82) covers 23 countries (mostly OECD, 30,739 observations), the second (1990-91) 43 countries (59,169 observations), the third (1995-97) 50 countries (78,574 observations), and the fourth wave (1999-2001) 68 countries (96,296 observations). There are 82 different countries represented in one of the four waves, for a total of 264,778 observations.

Due to incomplete data and non-correspondence of the data between different waves, we decided to focus on two specific waves, 1995 and 2007, which are the most complete and can be considered as two important reference years, because of their importance in terms of economic and social reforms: during this decade, key reforms such as dismantling of SOEs and privatization processes have been carried out. After the entrance into the WTO in 2001, this process has exacerbated continuing its transition to a market economy. The entrance in the WTO, which represented a milestone in the opening-up reforms and country's development, helped China's leaders to understand how to proceed to converge balanced development and economic growth. 1995 and 2007 can be indeed be considered as two reference years, because they both mark the passage and implementation of important economic and social reforms in China.

**Table 2: Main Demographic and institutional variables descriptive statistics, World Value Survey (1995-2007)<sup>41</sup>**

	Whole sample		1995		2007	
DC	Obs.		Obs.		Obs.	
<i>Sex (male)</i>	3319	0.48 (0.49)	1472	0.53 (0.49)	1847	0.44 (0.49)
<i>Age</i>	3319	41.81 (13.73)	1472	38.5 (13.7)	1847	44.4 (13.1)
<i>Place of origin (west)</i>	3319	0.22 (0.42)	1472	0.26 (0.44)	1847	0.20 (0.40)
<b>FC</b>						
<i>Married</i>	3319	0.82 (0.37)	1472	0.80 (0.39)	1847	0.84 (0.36)
<i>Children</i>	3319	0.85 (0.35)	1472	0.82 (0.38)	1847	0.87 (0.32)
<b>ED</b>						
<i>Low_educ</i>	3291	0.49 (0.50)	1468	0.48 (0.49)	1823	0.50 (0.50)
<i>Middle_educ</i>	3291	0.43 (0.49)	1472	0.09 (0.29)	1847	0.28 (0.44)
<i>Upper_educ</i>	3070	0.006 (0.082)	1402	0.007 (0.088)	1668	0.005 (0.07)

As reported in table 2, the share of male in the sample equals to 53% in 1995 and 44% in 2007; the mean age is comprised in the range 31-44 both in 1995 and 2007.

Place of origin is located in the western part of China for 26% of the whole sample in 1995 and 20% in 2007 ; unfortunately the dataset has no data on *hukou* status. Family characteristics highlight that: the majority of the sample is married (80% in 1995 and 84% in 2007) and has children (82% in 1995 and 87% in 2007). Regarding education level, nearly half of the whole sample reports low education level (48% in 1995 and 50% in 2007).

<sup>41</sup> The age of the respondent is measured either by dummy variables identifying the age group of the respondent (18-24, 25-34, 35-44, 45-54, 55-64, 65 and older). We also control for gender, with a male dummy. Family characteristics are described a dummy variable for marriage (equal to 1 if the respondent is married), zero otherwise. Educational levels are captured by three dummy variables for low (inadequately completed or completed elementary education, incomplete secondary school), medium (complete technical/vocational secondary school, incomplete or complete university-preparatory secondary school) and high education (some university with or without degree/higher education).

**Table 3: Type of occupation, contract and job-related variables<sup>42</sup>**

Whole sample			1995		2007	
OC						
Manual_worker	3319	0.58 (0.49)	1472	0.59 (0.49)	1847	0.57 (0.49)
Part_time	3286	0.13 (0.34)	1472	0.18 (0.38)	1814	0.09 (0.29)
Self_employed	3286	0.08 (0.27)	1472	0.13 (0.34)	1814	0.04 (0.19)
Retired	3286	0.05 (0.23)	1472	0.06 (0.23)	1814	0.05 (0.23)
Housewife	3286	0.06 (0.24)	1472	0.03 (0.19)	1814	0.08 (0.28)
Students	3286	0.02 (0.16)	1472	0.03 (0.18)	1814	0.02 (0.14)
Unemployed	3286	0.03 (0.17)	1472	0.02 (0.14)	1814	0.04 (0.20)
WC						
Income1	2938	0.17 (0.37)	1472	0.11 (0.31)	1466	0.23 (0.42)
Income 2	2938	0.30 (0.46)	1472	0.27 (0.44)	1466	0.34 (0.47)
Income 3	2938	0.38 (0.48)	1472	0.42 (0.49)	1466	0.33 (0.47)
Income 4	2938	0.12 (0.33)	1472	0.16 (0.37)	1466	0.08 (0.28)
Income 5	2938	0.01 (0.10)	1472	0.01 (0.13)	1466	0.005 (0.07)
Health status	3316	2.12 (1.00)	1472	2.02 (0.95)	1844	2.20 (1.03)

Analyzing occupational characteristics of the workers' interviewed, more than half of the whole sample are manual workers (59% in 1995 and 57% in 2007) and the rest of the sample is composed by: part-time workers (18% in 1995 and 9% in 2007), self-employed (13% in 1995 and 4% in 2007), unemployed (2% in 1995 and 4% in 2007), retired (6% in 1995 and 5% in 2007), students (3% in 1995 and 2% in 2007) and housewives (3% in 1995 and 8% in 2007).

The section identified as working conditions (WC) comprehends income level and health status data.

On average income level is between 4000-10.000 RMB ( 42% in 1995 and 33% in

<sup>42</sup> Income is measured by self-reported deciles in the national distribution of income: 1 (501-2000 RMB), 2 (2001-4000 RMB), 3 (4001-10.000 RMB), 4 (10.001-50.000 RMB), 5 (50.001- 100.000 RMB). Health is measured by the self-assessed state of health, on a 1 to 5 scale (very good=5, good=4, fair=3, poor=2, and very poor=1).



2007). 17% of the whole sample declares an income level between 501-2000 RMB, 30% between 2001-4000 RMB, 12% between 10.001-50.000 RMB and only 1% between 50.001-100.000 RMB. Health status is reported as poor (2,12 on average), 2.02 in 1995 and slightly better in 2007, 2.20.

#### 5.4 Regression results

Table 4 summarizes *ordered logit* regression main results estimated utilizing various specification of the model and using the different data sets firstly combine (first four columns) and then separated for 1995 and 2007.

**Table 4: Ordered logit regression results**

LS (scale 1-6)	Whole sample		1995	2007
DC				
<i>Sex (male)</i>	-0.171*** (0.068)	-0.227*** (0.071)	-0.287*** (0.070)	-0.172* (0.080)
<i>Age</i>	-0.078*** (0.016)	-0.085*** (0.018)	-0.048** (0.017)	-0.100*** (0.027)
<i>Age2</i>	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.001*** (0.000)
<i>Place of origin (west)</i>	-0.195*** (0.077)	-0.153** (0.079)	-0.253** (0.078)	-0.291*** (0.076)
FC				
<i>Married</i>	0.268*** (0.113)	0.295*** (0.127)	0.143 (0.117)	0.523*** (0.127)
<i>Children</i>	0.239* (0.138)	0.190 (0.157)	0.497** (0.127)	0.088** (0.117)
ED				
<i>Middle_educ</i>	0.119* (0.075)	0.186*** (0.078)	0.140 (0.058)	0.314*** (0.078)
<i>Upper_educ</i>	0.143 (0.129)	0.270** (0.142)	0.292 (0.122)	0.344* (0.112)
OC				
<i>Manual_worker</i>	-0.076 (0.080)	-0.115* (0.080)	-0.163 (0.070)	-0.166 (0.060)
<i>Part_time</i>	-0.208** (0.104)	-0.122 (0.104)	-0.121 (0.114)	-0.076 (0.124)
<i>Self_employed</i>	0.159 (0.115)	0.214* (0.126)	0.188 (0.116)	0.178 (0.126)
<i>Retired</i>	-0.189 (0.172)	-0.204 (0.172)	-0.214 (0.182)	-0.398* (0.162)
<i>Housewife</i>	0.095 (0.135)	0.080 (0.158)	0.078 (0.156)	0.016 (0.126)
<i>Students</i>	-0.143 (0.228)	-0.050 (0.228)	-0.127 (0.218)	-0.313 (0.228)
<i>Unemployed</i>	-0.047 (0.165)	-0.170 (0.194)	-0.148 (0.184)	-0.449** (0.124)

<b>WC</b>				
<i>Income 2</i>	0.643*** (0.108)			
<i>Income 3</i>	1.137*** (0.109)			
<i>Income 4</i>	1.647*** (0.135)			
<i>Income 5</i>	1.519*** (0.349)			
<i>Health status</i>	-0.503*** (0.228)	-0.580*** (0.226)	-0.521*** (0.228)	-0.675*** (0.218)
<i>Yr_1995</i>	-0.869*** (0.194)	-0.859*** (0.080)		
<i>Yr_2007</i>	0.600*** (0.194)	0.142*** (0.070)		
<i>_cut1</i>	-5.48*** (0.627)	-5.38*** (0.527)	-5.28*** (0.517)	-6.37*** (0.527)
<i>_cut2</i>	-4.21*** (0.616)	-4.41*** (0.616)	-4.51*** (0.626)	-5.00*** (0.616)
<i>_cut3</i>	-3.02*** (0.612)	-3.25*** (0.612)	-3.28*** (0.622)	-3.83*** (0.600)
<i>_cut4</i>	-1.61** (0.608)	-2.00** (0.328)	-2.01** (0.318)	-2.51** (0.310)
<i>_cut5</i>	0.264 (0.606)	-0.384 (0.506)	-0.344 (0.516)	-0.705 (0.506)
<i>Pseudo R2</i>	0.049	0.035	0.027	0.027
<i>N. Obs.</i>	3752	4128	1464	1740

Note: Standard errors are in parentheses. legend: \* p<.10; \*\* p<.05; \*\*\* p<.01

Looking at the whole sample, all the results are in line with previous studies and LS related literature. Males are on average less satisfied than female; the coefficient related to age reports a negative sign in both regressions, but its significance and negative effect is then absorbed by income and job related variables.

Confirming the literature, we find that education and health status have a significant positive effect (which increases after adding job related covariates) on life satisfaction.

Married people is on average more satisfied than non-married ones and having children has a positive impact on personal life satisfaction evaluation. This results confirm the literature on demographic variables impact on LS.

Even if there are not many working conditions- related significant coefficients, there is evidence that occupation level plays a role in life satisfaction evaluation. This confirms our hypothesis on life satisfaction and job related variables nexus.

Looking at the whole sample regression, we find that manual workers, students and

unemployed report lower satisfaction levels: the negative effect is exacerbated on part-time workers, for which the coefficient is significant.

Looking at 1995 and 2007 single regressions results, there are some differences in the coefficients among these two years: in 2007 demographic (marriage and children) and education variables have a significant impact on LS evaluation, while sex (being male) seems not to play an important role. Even if there are no significant coefficients in the occupational levels section, both 1995 and 2007 report a negative impact of working level evaluation on LS and the effect of these variables on the dependent variable is higher more significant role in 2007. Job-life satisfaction nexus seems to be stronger in 2007, when variables related to occupation (being unemployed, part-time workers and retired) have a negative impact on life satisfaction evaluation.

Income status, confirming the existing literature, play a key role in LS evaluation but the effects seem to be less important among 1995 and 2007.

Income plays a different role in 2007: it seems that its role is not as important as in 1995. The most interesting result is income level 5 (50.0001-100.000 RMB) coefficient, which becomes not significant in 2007. This result seem to confirm the literature related to Easterlin paradox and rising aspiration related theories. Income is not the most important variable when analyzing life satisfaction and subjective well-being. Health status becomes much more important in 2007.

## **6. Final remarks**

In this paper we aim at giving our contribution to the research on life satisfaction in China. This strand of research in China is of particular importance given concerns over social discontent and political instability in the country (Appleton and Song, 2008).

This review has presented recent advances in the economic study of individual happiness analyzing different approaches and main debates related to subjective well-being analysis.

The first finding is that the broad pattern of determinants of life satisfaction among Chinese workers appears remarkably similar to those from western countries.

In general terms, the results of our regressions confirm the existing literature: age, sex and other demographic variables play a significant role on LS.

Partly confirming Heywood *et al* (2009) results, we show that life satisfaction declines

with age and changes with sex (males are less satisfied than female), but increases with education. LS is higher for married people with children.

Job related variables play a role in life satisfaction evaluation. This confirms our hypothesis on life satisfaction and job related variables nexus.

Even if there are no significant coefficients in the occupational levels section, both 1995 and 2007 report a negative impact of working level evaluation on LS and the effect of these variables on the dependent variable is higher more significant role in 2007.

Job-life satisfaction nexus seems to be stronger in 2007, when variables related to occupation (being unemployed, part-time workers and retired) have a negative impact on life satisfaction evaluation.

Income status, confirming the existing literature, play a key role in LS evaluation but the effects seem to be less important among 1995 and 2007.

Even if there are many open issues for analyses in economic research on subjective well-being, our paper aimed at giving a little contribution on this strand of research, trying to deepen and better understand Chinese people subjective well-being drivers and main determinants.

For instance, unfortunately, World Value Survey dataset reports no data on *hukou* status, so further research and fieldwork on Chinese workers' (especially on “floating” population) could be useful to understand rural-urban migrants' perspective and address functional policies aiming at ensuring social stability and the desired “harmonious” development. This issue is examined in Collino’s *third* paper titled “Determinants of Chinese Internal Migrants Life Satisfaction: Empirical Evidence from Beijing”.

The final remarks are two. One is about the importance on continuing the debate and the empirical analysis LS (as proxy of well-being) determinants the other is about the importance of examining carefully the results (taking into consideration also missing dimensions/determinants (which for lack of data could not be measured e.g. migrant vs non migrant) and thus to contextualize the results to avoid that they could lead to ineffective understanding and wrong policy implications.

## References

- Aristotle, 1915, W.D. Ross (trans.), "Nicomachean Ethics", Oxford: Oxford University Press.
- Adler, M., Posner, E.A., 2008. "Happiness and cost-benefit analysis". *Journal of Legal Studies* 37: S253-S292.
- Andrews, F.M., Robinson, J.P., 1991. "Measures of Subjective Well-Being". In: Robinson, J.P., Shaver, P.R., Wrightsman, L.S. (Eds.), *Measures of Personality and Social Psychological Attitudes*. San Diego, Academic Press, pp. 61-114.
- Andrews, F.M., Withey, S.B., 1976. "Social Indicators of Well-Being: Americans' Perceptions of Life Quality". New York, Plenum.
- Angner, E., 2008. "The philosophical foundations of subjective measures of well-being". In: Bruni, L., Comim, F., Pugno, M. (Eds.), *Capabilities and Happiness*. Oxford, Oxford University Press, pp. 286-298.
- Angner, E., 2009a. "Subjective measures of well-being: philosophical perspectives". In: Kincaid, H., Ross, D. (Eds.), *The Oxford Handbook of Philosophy of Economics*. Oxford, Oxford University Press, pp. 560-579.
- Angner, E., 2009b. "The politics of happiness: subjective vs. economic measures as measures of social well-being". In: Bortolotti, L. (Ed.), *Philosophy and Happiness*. New York, Palgrave, 149-166.
- Angner, E., 2010. "Are subjective measures of well-being "direct"?" *Australasian Journal of Philosophy*.
- Argyle, M., 2001. "The Psychology of Happiness", 2nd Ed. New York, Routledge.
- Ben-Shahar, T., 2007. "Happier: Learn the Secrets to Daily Joy and Lasting Fulfillment". New York, McGraw-Hill.
- Bengt Brulde, 2007. "Can successful mood enhancement make us less happy?", *Philosophica* 79 (2007) pp. 39-56
- Bentham, J., 1789 [1967]), "The principles of morals and legislation", in A.I. Melden (ed.), *Ethical Theories*, Englewood Cliffs, NJ: Prentice-Hall, 367-90.
- BES (2013). Rapporto BES, web site of ISTAT [www.misuredelbenessere.it](http://www.misuredelbenessere.it)
- Blanchflower, D. G. and Oswald, J, 2000, "Well-Being Over Time in Britain and the USA", NBER Working Paper No. 7487. Cambridge, MA: National Bureau of Economic Research.
- Bradburn, N. (1969). *The structure of psychological well-being*. Chicago: Aldine.
- Brickman, P. e Campbell, D. T., 1971, "Hedonic relativism and planning the good society", in M. H. Apley (ed by), *Adaptation-level theory: A symposium* (pp. 287-302), Academic Press, New York.
- Brockmann H, Delhey J, Welzel C, Yuan H, 2009. "The China Puzzle: Falling Happiness in a Rising Economy". *J Happiness Stud* 10:387-405.
- Bruni L., Porta P.L., 2005. "Economics and Happiness: Framing the Analysis", ed. by, Oxford University Press.

- Bruni L., Stanca L.M., 2005. "Income aspirations, Television and Happiness: Evidence from the W", University of Milan Bicocca, Economics Department, Working paper n. 89.
- Cantril, H., 1965. "The Pattern of Human Concerns", New Brunswick: Rutgers Un. Press.
- Czapinski, J., 1994. Polish General Well-Being Survey. Panel Study 1993-1994.
- Chekola, M., 1975, "The concept of happiness", Doctoral dissertation, University of Michigan 1974, Dissertation Abstracts International, 35, 4609A, University Microfilms, 75-655. Available in PDF form at [www.mnstate.edu/chekola](http://www.mnstate.edu/chekola).
- Chen, C., 2003. "Revisiting the disengagement theory with differentials in the determinants of life satisfaction". *Social Indicators Research*, 64, 209-224.
- Clark A., and A. Oswald, 1996, "Satisfaction and Comparison Income", *Journal of Public Economics*, 61/3: 359-81.
- Corneo, G., 2005, "Work and Television", *European Journal of Political Economy*, vol. 21, no. 1, pp. 99-113.
- Cummins R.A., 1996, "The Domains of Life Satisfaction: An Attempt to Order Chaos", *Social Indicators Research* 38, 303-332.
- Di Tella R. and MacCulloch R., 2004. "Happiness adaptation to income and to status in an individual panel". Harvard Business School and Imperial College London, mimeo, 2004.
- DiTella R. and Oswald J., 2001. "Preferences over inflation and unemployment: Evidence from surveys of happiness. *American Economic Review*, 91(1):335-341.
- Diener, E. (1984). Subjective well-being. *Psychological Bulletin*, 95, 542-575. <http://dx.doi.org/10.1037/0033-2909.95.3.542>
- Diener, E., 2000, "Subjective well-being: The science of happiness, and a proposal for a national index". *American Psychologist*, 55, 34-43.
- Diener E. and R.E. Lucas, 1999, "Personality and subjective well-being", in Kahneman et al (1999), pp. 213-29.
- Diener, E., Suh, E.M., Lucas, R.E., and H.L. Smith, 1999, "Subjective well-being: three decades of progress", *Psychological Bulletin*, Vol. 125, No. 2, 276-302.
- Duesenberry, J., 1949, "Income, Saving and the Theory of Consumer Behavior", Harvard University Press, Cambridge.
- Easterlin, R., 1974, "Does economic growth improve human lot? Some empirical evidence", Nation and Households in "Economic growth: Essays in honor of Moses Abramowitz" (ed by P.A. Davis e M.W. Reder), Academic Press, New York e London.
- Easterlin, R., 1995, "Will Raising the Incomes of all Increase the Happiness of All?" *Journal of Economic Behavior and Organization*, 27(1), pp. 35-47.
- Easterlin, R., 2001, "Income and Happiness: Toward a Unified Theory," *Economic Journal*, 111(473), pp. 465-484.
- Easterlin R., Morgan R., Switek M., Wang F, 2013, "China Life Satisfaction, 1990-2010". IZA DP No. 7196

- Frank, R., 2005, "Does absolute income matter?", in Bruni and Porta (eds) "Economics and Happiness: Framing the Analysis", Oxford University Press.
- Frey B. S., Stutzer A., 2012, "Recent Developments in the Economics of Happiness: A Selective Overview", IZA DP No. 7078
- Frey, B.S., Benesch C., and Stutzer A., 2005, "Does watching TV make us happy?", Institute for Empirical Research in Economics, University of Zurich, Working Paper n. 241.
- Frey, B.S., and A. Stutzer, 2002a, "What Can Economists Learn from Happiness Research?" *Journal of Economic Literature*, 40(June), pp. 402- 435.
- Frey, B.S., and A. Stutzer, 2002b, "Happiness in economics", Princeton University Press, Princeton.
- Frey B. and A. Stutzer, 2005, "Testing Theories of Happiness", in Bruni and Porta, OUP.
- Garton Ash, T. 2009. "Brings Hard Choices over the Future of Capitalism", *The Guardian* (January 1). URL = <<http://www.guardian.co.uk/commentisfree/2009/jan/01/economicscredit-crunch-recession>>.
- Hagerty, M. R. and R. Veenhoven, 2003, "Wealth and Happiness Revisited: Growing National Income Does Go with Greater Happiness", *Social Indicators Research*, 64, pp. 1-27.
- Helliwell, J.F., 2002, "How's life? Combining Individual and National Variables to Explain Subjective Well-Being", NBER Working Paper No. 9065.
- Herrnstein, R.J. and C. Murray, 1994, "The Bell Curve: Intelligence and Class Structure in American Life", New York, Free Press.
- Hirsch, F., 1977, "Social limits to growth", Routledge, London.
- Inglehart, R., et al., 2000, "World Values Surveys and European Values Surveys, 1981-1984, 1990-1993, and 1995-1997"; Ann Arbor, MI: Inter- university Consortium for Political and Social Research. IP (2004) "Television 2004", International key facts, <http://www.ipb.be>, D. (1999), "Objective Happiness" In "Well-Being: Foundations of Hedonic Psychology", edited by Kahneman D., Diener E., and Schwartz N., Russell Sage Foundation, New York.
- Heerink, N., Wang, H., Pan, L., 2013. "Working Conditions and Job Satisfaction of China's New Generation of Migrant Workers: Evidence from an Inland City". Discussion paper 7405, Institute for the Study of Labor (IZA).
- Heiwood, S.J, Siebert, S.W., Wei, X., 2009. "Job Satisfaction and the Labor Market Institutions in Urban China. Discussion paper 4254, Institute for the Study of Labor (IZA).
- Kahneman D., Diener E., and Schwartz N., 1999, "Well-Being: Foundations of Hedonic Psychology", Russell Sage Foundation, New York.
- Kahneman D., 2000, "Experienced Utility and Objective Happiness: a Moment-Based Approach", in D. Kahneman and A. Tversky (Eds.) "Choices, Values and Frames", New York, Cambridge University Press.

- Kahneman D, Krueger AB, 2006, "Developments in the Measurement of Subjective Well-Being". *J Econ Perspect* 20:3–24
- Knight, J., Gunatilaka R., 2008. "Aspirations, Adaptation and Subjective Well-being of Rural–Urban Migrants in China". Discussion Paper Number 381, University of Oxford.
- Knight, J. and Gunatilaka, R., 2009a. "Income, aspirations and the hedonic treadmill in a poor society". Department of Economics, University of Oxford, Discussion Paper No. 468.
- Layard, R., 1980, "Human satisfactions and public policy", *The Economic Journal*, 90, pp.737-750.
- Layard, R., 2003, "Happiness: has social science got a clue?" Lionel Robbins Memorial Lectures 2002/03, London School of Economics.
- Layard, R., 2005a, "Happiness: Lessons from a New Science", New York, NY: Penguin.
- Lyubomirsky S. and Lepper, H. S., 1999. "A measure of subjective happiness: Preliminary reliability and construct validation". *Social Indicators Research*, 46, 137–155.
- Mill, J.S., 1963, 'Utilitarianism', in Albert Levi (ed.), *The Six Great Humanistic Essays of John Stuart Mill*, New York: Washington Square Press.
- Nielsen, I., Paritski, O and Smyth, R., 2010. "Subjective well-being of Beijing taxi drivers". *Journal of Happiness Studies*
- Nielsen, I., Russell, S. 2008. "Job Satisfaction and Response to Incentives among China's Urban Workforce". *Journal of Socio-Economics* 37: 1921 – 36.
- Oswald, A., 1997, 'Happiness and economic performance', *The Economic Journal*, 107, 1815–31.
- Pendlebury, M., 2000, 'Against the careerist conception of well-being', *Philosophical Forum*, 31, 1–10.
- Praag, B.M.S. van and A. Ferrer-i-Carbonell, 2004. "Happiness quantified: A Satisfaction Calculus Approach", Oxford University Press.
- Rawls, J., 1971, "A Theory of Justice", Cambridge, MA: Harvard University Press.
- Rojas M., 2004a. "A Conceptual-Referent Theory of Happiness: Heterogeneity and its Consequences.
- Ryff, C. D., 1989b. "Beyond Ponce de Leon and life satisfaction: New directions in quest of successful ageing". *International Journal of Behavioral Development*, 12, 35–55.
- Royce, J., 1908, "The Philosophy of Loyalty", London and New York: Macmillan.
- Scitovsky, T., 1976, "The Joyless Economy: an inquiry into human satisfaction and consumer dissatisfaction", O.U.P., Oxford.
- Seligman, M.E.P., Csikszentmihalyi, M., 2000. "Positive psychology". *American Psychologist* 55, 5-14.



- Sen A.K., 1985, "Commodities and capabilities", Amsterdam, North Holland.
- Sen A.K., 1993, "Capability and well-being", in Nussbaum M., Sen A.K. (eds), pp. 30-53.
- Sen A.K., 1996, "Freedom, capabilities and public action : a response", in Balestrino A., Carter I. (eds), pp. 107-125.
- Sirgy M. J., Cole D., Kosenko R., Meadow H., Rahtz D., M. Cicic, G. Xi Jin, D. Yarsuvat, D. L. Blenkhorn and N. Nagpal, 1995. "A Life Satisfaction Measure: Additional Validation Data for the Congruity Life Satisfaction Measure, Social Indicators Research 34, 237-259.
- Smyth, R., Mishra, V., Qian, X., 2008. "The environment and well-being in urban China". *Ecological Economics*, 68, 547-555.
- Smyth, R., Nielsen, I. and Zhai, Q., 2010. "Personal well-being in urban China". *Social Indicators Research*, 95(2), 231-251.
- Song, L., Appleton, S., 2008. "Life Satisfaction in Urban China: Components and Determinants". IZA Discussion Papers 3443, Institute for the Study of Labor (IZA).
- Stutzer, A., 2004, "The Role of Income Aspirations in Individual Happiness" *Journal of Economic Behavior and Organization*, 54(1), 89-109.
- Stutzer, A., 2005, "Income Aspirations, Subjective Well-Being and Individual Happiness" manuscript, University of Zurich.
- Tatarkiewicz W., 1976. "Analysis of Happiness", Martinus Nijhoff.
- Veenhoven, R., 1991, "Is happiness relative?", *Social Indicators Research*, 24, pp. 1-34.
- Veenhoven, R., 1994, "Is happiness a Trait? Tests of the theory that a better society does not make people any happier", *Social Indicators Research*, 32, pp. 101-160.
- Walker, M.U., 1998, 'Career selves: plans, projects and plots in "whole" life ethics', in Margaret Urban Walker.
- Waterman A. S., 1993. "Two conceptions of happiness: Contrasts of personal expressiveness (eudaimonia) and hedonic enjoyment". *Journal of Personality and Social Psychology*, 64(4), 678-691.

## Paper III

# **Determinants of Chinese Internal Migrants' Life Satisfaction: Empirical Evidence from Beijing**

### **Abstract**

China's rural-urban migrants have been one of the main drivers of high rate of Chinese economic growth.

“Go west” policy and rapid urbanization process caused a notable changing in rural-urban migration pattern but, despite poor working and living conditions, rural-urban migrants still move to other provinces looking for a job.

This research analyze Chinese internal migration and in particular the components and the determinants of migrants' life satisfaction, with a specific focus on the role played by income, type of job and expectations.

Considering the lack of data, an ad hoc survey has been carried out in 2012 through a collaboration with Chinese Academy of Social Sciences, (Department of Labor and Population Studies). Collecting data on life satisfaction and working conditions involving 219 workers in Beijing.

In order to analyze factors affecting life satisfaction an *ordered logit* model is performed.

The results point out the importance of job-related variables. Through the comparison with a control reference group. The author concludes that there may be an adaptive preference effect and that positive expectations and social comparison play a key role among rural-urban migrants vs non migrants.

*JEL* Classification: J61, O15

*Keywords:* Chinese labor, Chinese residential system, life satisfaction, subjective well-being, rural-urban migration,

## **1. Introduction**

The reforms in China over the past 30 years have transformed the nature of employment in the world's most populous country (Rush, 2011). Migration has long been a mechanism for those in search of better opportunities and a 'good life' (Constant and Zimmermann, 2013).

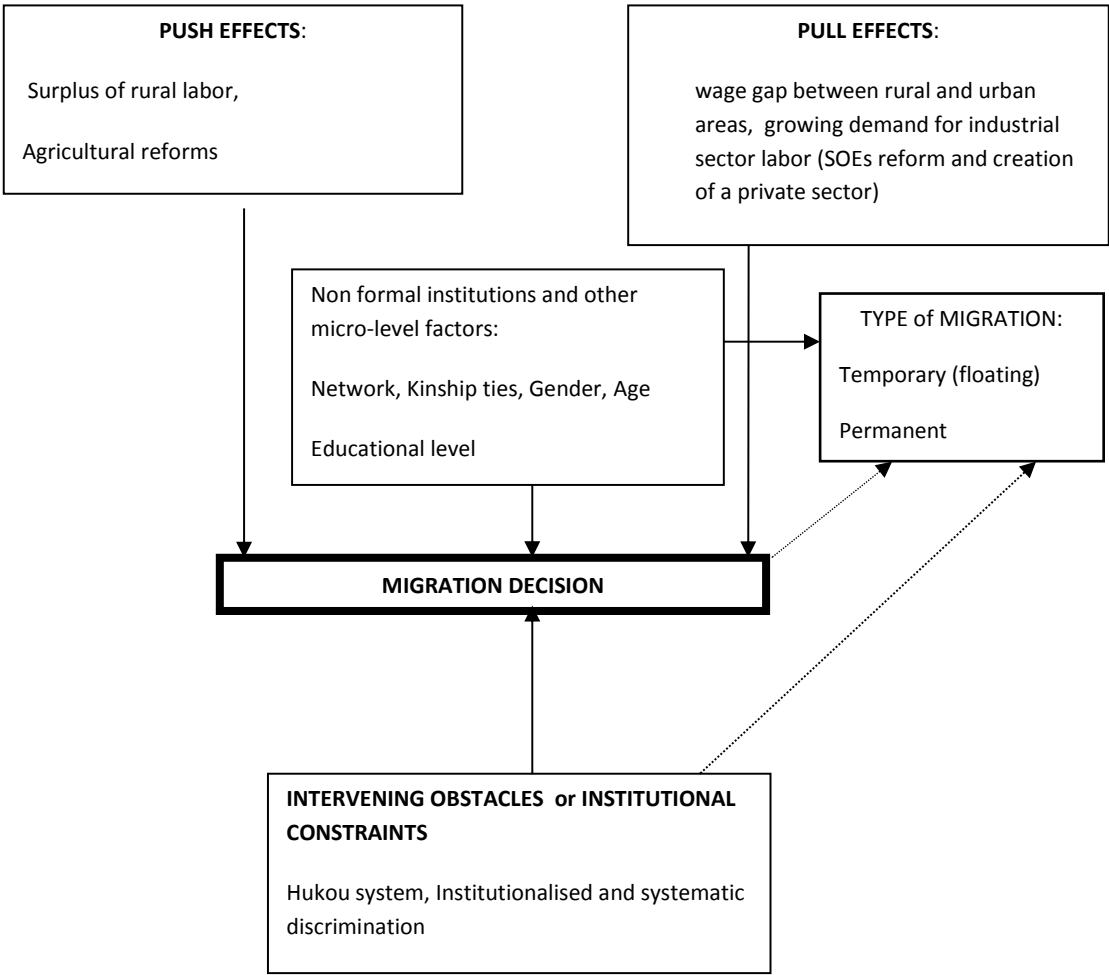
In China, a critical debate relates to the current patterns of internal migration, which has been described as the largest migration flow in history (Zhao, 1999).

The "open-door" policy, started by Deng Xiaoping in the 1978, which has been actualized through the gradual dismantling of the planned socialist economy starting with the gradual desegregation of the People's Communes and in the '90s the SOEs reforms. The end of 'iron-rice bowl' and gradual marketization of Chinese economy, allowed rapid growth in a range of industries (Biggeri, 2006). This, in turn, stimulated an enormous growth and transformation of the urban and rural economy, greatly expanding the manufacturing sector and further increasing the need for cheap labor (Xu, 2013) mainly in coastal rural and urban areas (Hirsch, 2005). These pull factors also occurred as increasing surpluses of agricultural labor and growing income gaps between urban factory and rural farm workers further disincentive remaining in rural areas (Meng, 2001).

These developments, as well as increased labor mobility, have resulted in a massive expansion in the employment of rural migrants – workers whose residence is rural but who typically move to the coastal cities and rural industrialized areas for much of the year for employment opportunities (Rush, 2011).

The push factors were combined with relevant pull factors - notably the increasing rural-urban income gap and the easing of internal migration restrictions (Hirsh, 2005; Biggeri and Hirsch, 2008)

**Table 1: Push-pull effects: an analytical framework of voluntary rural-urban migration in China**



Source: Hirsch (2005, p. 54)

A combination of factors in a push-pull model form, , has led to tremendous increase<sup>43</sup> of rural-urban migration in China, a result largely due to individuals in search of work in the coastal regions (Cai, 2000).

Internal migrants can be considered one of the main drivers of China's economic miracle and still play a key role in Chinese development and labor market (Biggeri, 2007). According to the official statistics, the size of the migrant population was estimated as 253 million in 2011 (i.e. 18.8% of the total population), with 159 million

<sup>43</sup> The number of migrants has increased, according to the official statistics, from an estimate of 68 million in 1996 to one to nearly 140 million in 2003.

migrants working outside the province of origin and 94 million migrants working inside their provinces for more than six months a year (NBSC, 2012), accounting for more than 20% of the labour force in the urban areas.

Different phenomena can be considered as crucial while analyzing internal migration dynamics in China, especially if the number of new migrants is declining because of life satisfaction issues (see for instance, Heerink, 2013).

The recent change in focus of urbanization policy has led to a rapid shift in migrant destination; in order to avoid pollution, congestion and other typical problems of mega size (mainly coastal) cities, which are becoming unmanageable, the Chinese government is thus now focusing on rising, developing second and third tier Chinese cities, through massive infrastructural projects, following the so called “Go west” policy.

Consequently, the proportion of migrants moving towards the eastern regions is slowly declining, while their concentration in central and western provinces is going up (NPFPC, 2012).

The phenomenon of a shortage of migrant workers from late 2000s become a hot topic and inspires debate among scholars on whether China has reached Lewis turning point (Zhu, 2012).

According to several authors including Kam Wing Chan (2010), on the one side, there are reports of migrant labor shortages; on the other side, estimates suggest that a considerable volume of relatively unskilled labor is still available in the agricultural sector, which is called “a China paradox” and needs to be paid more attention to. However, Fang Cai and other scholars insist that surplus agricultural labor in China is so small that it’s negligible. Fang Cai (2011) points out that some confusion exists in the Chinese statistics and that some scholars are trapped in “the tyranny of numbers” (Zhu, 2012).

One of the main research question is related to the analysis the of main components and determinants of Chinese internal migrants' life satisfaction. As usual a key role could be played by expectations<sup>44</sup> on future income.

As already mentioned, rural-urban migrants often lead difficult lives, in terms of occupational, wage discrimination (Knight and Yueh, 2009; Liu, 2005), access

---

<sup>44</sup> Economists have traditionally rejected the view that expectations have any direct effect on utility (Smyth, 2010). However, recently, there has been recognition that inter-temporal spillovers of utility are possible. This has led to recognition that expectations are consumption goods and, as such, have a discernable effect on well-being (Senik, 2008).

limitation to urban services (Li, 2006; Liu *et al.*, 2008), social exclusion and isolation from the urban community. Henceforth, internal migration plays an important role also among scholars' and academicians' debates and for policy makers; from a political, economic, and ethical reasons, furthermore there are several difficulties related to the data and the reliability of official statistics.

Furthermore, according to Haas , besides macro analysis on migration patterns and related labor market regulation, it would be very relevant to have a more micro perspective on these issues, in order to understand migration driving forces, migrants' perspective on their lives and working conditions (Haas, 2011)

However, the circulatory and temporary nature of migrants' mobility, and their 'informality' make quite hard to carry out research on this topic –migration and LS - even using the non-reliable official data such as the Survey of Occupational Mobility and Migration.

Moreover, migration typically leads to higher income, but its effects depends on other factors and the effects on life satisfaction remain still unclear in current literature (REF). What are the main determinants of LS for migrants? Are these related to economic or non-economic factors? This paper tries to shed some light on this topic, through a case study on internal migrants in Beijing based on an ad hoc survey designed and carried out by the author.

The survey, carried out from August to December 2012 in Beijing suburbs, has been done in collaboration with the Chinese Academy of Social Sciences (Department of Population and Labor Studies).

According to our knowledge (Collino, 2013, paper II) and to Hen (2013), this research provides the first study on the role that Chinese labor market institutions play in determining Beijing migrant workers' life satisfaction (LS), estimating its main drivers and understanding if and how job related variables are linked to LS.

The paper is divided into five sections. In the second section an overview of structural reforms is provided. This framework facilitates the comprehension of latest economic development, contextualized into the Beijing context.

The third section presents a short literature review on migration-subjective well-being nexus, explaining which are the main determinants of migrants' life satisfaction, trying to understand which is the role played by expectations and relative deprivation in this process.

In the fourth section, the case study on Beijing internal migrants is presented and the

main results of the survey reported. In this part, migrants working and living conditions and LS are analyzed throughout a qualitative and a quantitative econometric analysis (applying an *ordered logit model*) to estimate the main drivers of life satisfaction.

The last section concludes.

## 2. Background

### 2.1. Structural reforms, labor market and migration in China: the case of Beijing

Since 1990s, the Chinese labor market has witnessed substantial development, as evidenced by increasing total employment, significant sectorial shifts, and institutional changes (Du, 2009).

Recent years decline in country's growth rate and the absolute number of working-age population lead to an inevitable labor shortage<sup>45</sup>, causing rapid wages increasing in both agricultural and non-agricultural sectors (Wang, 2010), a challenge that the Chinese economy has to confront (Cai, 2011). As shown by several studies, total employment in China has been through different phases, characterized by an initial increase, followed by a gradual decrease started after the financial crisis in 2008. As reported by the Ministry of Human Resources and Social Security of the PRC, unemployment rate remained unchanged at 4.1% in the fourth quarter of 2012. Along with the dismantling of the state-owned sector and the creation of a series of private institutions/companies, the informal sector has undergone a dramatic increase in recent years.

Key issues related to labor market open several debates on its future development: what factors might increase the bargaining power and voice of Chinese workers?

Kuruvilla, Gallagher and Lee (2011) hypothesize that the shortage of workers—a function of decline in working population resulting from the one child policy and institutional discrimination against migrants as a result of the *hukou* system will increase both wages and voice.

There is some institutional pressure, for increased collective bargaining (especially in Guangdong), and some form of *hukou* reform. These efforts may serve to further increase the bargaining power of workers, as might the efforts of non-state actors such as labour NGOs and other groups.

However, labor rights, mainly for Chinese floating population and different implementation of Labor law among Chinese provinces make the situation much more difficult and complicated to monitor and comprehend.

The main issues are related to the implementation of Labor contract Law, development

---

<sup>45</sup> Labor shortage first emerged in the Pearl River Delta region in 2003 and has since expanded to the Yangtze River Delta regions and to inland provinces, the general source of migrant workers. Gradually it has become a national phenomenon in China (Cai and Wang, 2008).



of private sector, discrimination among workers and related public unrest.

Legislative reforms are still incomplete, unclear and informal sector still play an important role into Chinese labor market.

On the one hand, China's leadership aims at maintaining social stability (the so-called harmonious society) through the existence, dominance of SOEs; on the other hand modern labor market institutions are needed to proceed towards marketization and continue to grow.

The Chinese situation is not uniform and different situations can be found in different provinces and municipalities. The capacity to move to a market economy is well described by the share of the labor force still in SOEs in each provinces (see Biggeri 2003; and Biggeri- Gambelli 2008) and by the number of migrants over total provincial population (see Chan, 2012, see table 1).

Therefore, we chose to focus our attention on Beijing since it exemplifies the dilemma of stability versus efficiency in developing a labor market and also due to its importance in economic and social terms and being China's capital.

Table 1. Major aggregate migration and urban population statistics, 1982–2011 (in millions).

Series	<i>Hukou</i> Migrants (Yearly flow figures)		Non- <i>Hukou</i> Population (Stock figures)				Rural- <i>hukou</i> population in urban areas		<i>De facto</i> population in urban areas	
	Police statistics		Registered with MPS (mid-year)		‘Temporary Population’		‘Rural Migrant Labor’ NBS estimates based on sample surveys		NBS statistics	
	City, town or township		Township- level unit		County or city		Away for outside work (for 6 months or more)		Author’s estimates	
	No minimum		3 days		6 months		6 months (unless otherwise specified)		6 months	
	A	B	C	D	E	F	G(%)	H	Not applicable	
Geographic boundary (to cross)										
Minimum length of stay (for those without local <i>hukou</i> )										
1982	17.30			6.6 (1 year)		46.5	21.7	214.5		
1987	19.73			15.2 <sup>a</sup>	26.0 <sup>c</sup>	64.0	23.1	276.7		
1990	19.24			21.6 (1 year)		66.3	22.0	302.0		
1995	18.46		49.7	29.1 <sup>b</sup>	75.0	69.4	19.7	351.7		
2000	19.08	44.8	144.4	121.0		136.6	29.8	459.1		
2001	17.01	55.1			104.7	148.6	30.9	480.6		
2002	17.22	59.8			113.9	152.8	30.4	502.1		
2003	17.26	69.9			118.2	149.5	28.5	523.8		
2004	19.49	78.0			125.8	151.4	27.9	542.8		
2005	19.33	86.7	153.1		132.1	153.1	27.2	562.1		
2006	20.60	95.3			137.0	156.4	27.1	577.1		
2007	20.84	104.4			140.4	163.0	27.5	593.8		
2008	18.92	116.6			145.3	167.0	27.5	606.7		
2009	16.77	122.2			153.4	171.6	27.6	621.9		
2010	17.01	131.4	261.4	221.4	158.6	205.6	30.9	665.6		
2011		155.4						690.8		

Notes and sources:

MPS = Ministry of Public Security;

NBS = National Bureau of Statistics.

<sup>a</sup>the geographic boundary is based on city, county or town.

<sup>b</sup>the geographic boundary is based on county-level units.

<sup>c</sup>refers to 1988

A: MPS (1988–2010); NBS & MPS (1988); B: MPS (1997–2011); C and D: NBS (1988), SC & NBS (1985, 1993, 2002, 2007, 2012), and NPSSO (1997); E: 2002–2008 figures are from NBS, compiled by Cai and Chan (2009, Table 1). 2009–2011 figures are from NBS (2010, 2011 and 2012a). Earlier figures are estimates in Lu et al. (2002) and they may not be fully comparable to recent NBS figures; F: Estimates derived from Chan (2012a, Table 1); G: F expressed as a percentage of H; H: NBS figures compiled by Chan (2012a). 2011 figure is from Ma (2012).

## **2.2 The characteristics of Beijing economic system**

Due to Chinese provinces heterogeneity in terms of population composition and labor dynamics, it is important to focus our attention on Beijing labor market, industrial sector and some related critical issues<sup>46</sup>.

Beijing is the nation's capital and one of China's largest cities.

Due to its unique position as the seat of national government, it is the center of all the domestic and foreign institutions, Party organizations, science, media and other fields which can only be supported at the national level. Service sector employment (public utilities, education and health, research, finance and insurance, other public and private services) has grown rapidly during the years of market transition.

Beijing's economy was dominated since 1980 by SOEs or state enterprises and government services, and the older system of labor allocation has been relatively slow to change.

But Beijing is not just a government service town. It is also an important manufacturing center and throughout the 1990s supported a booming construction industry. Manufacturing and construction sectors output accounted in the '90s for 39 percent of GDP and a slightly smaller share of employment (Drury, 2001). The State-owned sector still controls a commanding share of the economy in Beijing. State-owned work units were responsible for roughly two-thirds of all employment, and another 10 percent was in collective enterprises. Particularly in the SOE sector the traditional systems of planned labor allocation and management have remained relatively intact despite Central government reforms in these areas (Drury, 2001).

Due to low productivity and inefficiency faced by SOEs in Beijing, one response of the city authorities has been to improve unemployment insurance and other social security arrangements for residents. Another response, by no means unique to Beijing, has been to shore up the labor market prospects of local workers by limiting competition from outside (Drury, 2001).

However Beijing is also home to a growing and quite sophisticated set of foreign-owned companies and joint ventures, as well as Chinese owned companies and individual or family owned businesses.

In the specific context of internal migration, in many occupations and industries,

---

<sup>46</sup> These data and information are based on the "Survey of Occupational Mobility and Migration" (SOMM), carried out in 1998 in three Chinese cities (Beijing, Zhuhai and Wuxi).

employment of migrant labor was restricted even before the current downturn in the economy, and the restrictions became tighter after 1997.

Beijing is now still facing serious problems of unemployment and layoffs in the state sector.

**Table 2: Interprovincial Migration to Beijing 1990–2010 (in thousands)**

	Net migration	% (on total interprovincial migration)	National rank
1990-1995	606	6.6	2
1995-2000	1,715	5.3	4
2000-2005	1,916	5	5

	In- migration	Out- migration	Net migration	%	National rank
2005-2010	3.85	406	3.45	6.6	4

Source: author's elaboration based on Chan K.W, 2011. “Migration and development in China: trends, geography and current issues”

At the moment, Beijing is ranked fourth on interprovincial migration at national level, with an increasing trend from 1990 to 2010, today representing 6.2% of total interprovincial migration among Chinese provinces.

### **3. Chinese Internal migration, subjective well-being and life satisfaction: a literature review**

#### **3.1. Literature review**

The objective well-being effects of migration (both internal and international) have been extensively discussed in the economic literature. Economists have focused mostly on the monetary costs and benefits of internal migration, viewing changes in personal income as one of the main consequences of a move (Switek, 2012). Internal migration is considered as a resource allocation mechanism meant to distribute people from places with low income opportunities to places with high income opportunities (Sjaastad 1962). The main issues related to this type of analysis reside mainly in the individuation of a good comparison group. Early studies of the effects of internal migration on income perform cross-sectional analyses in which the incomes of the non-migrants (either from the place of origin or the place of destination) are used as a comparison group for the incomes of migrants (Switek, 2012).

This type of studies have also found that, in general, migration is associated with an increase in income, though the effects of migration on income gains may vary by age, reason of move (Bartel 1979), and gender (Blackburn 2009).

According to Switek (2010), objective well-being indicators (*e.g.* income) are far too simplistic to make a correct and complete interpretation of internal migration flows, while subjective indicators play a key role in this process.

Economists have discovered happiness (or rediscovered) or at least research on subjective well-being and its economic correlates (Clark, Frijters and Shields, 2008). These have included the so-called Easterlin paradox whereby average happiness remains relatively constant over time in spite of large increases in income per capita (Easterlin, 1995).

Since these two terms, which both measure subjective well-being, have often been used as interchangeable indicators, here we choose to use the term “life satisfaction” as key subjective indicator<sup>47</sup>, because it shows considerable stability over time (Headey and Wearing, 1991).

---

<sup>47</sup> As opposed to the term happiness, which denotes mood states, life satisfaction stresses the cognitive component of the evaluation an individual gives to the success of his/her coping processes dealing with the tasks of living (Strack, Argyle and Schwarz, 1991).

What is certain is that the positive (generally nonlinear) association between per capita income and life satisfaction exists and is robust (Easterlin, 1995; Frey and Stutzer, 2002; Di Tella, Mc Culloch and Oswald, 2001).

Several social-demographic variables have been reported as relevant on life satisfaction, including:

gender, age, civil status, education, job category, salary range and job tenure (Bamundo, 1977; Bamundo and Kopelman, 1980; Champoux, 1981 ; Kavanagh and Halpern, 1977).

As demonstrated by Kapteyn *et al* (2009), among those, social contacts and family have the highest impact, followed by job/daily activities and income.

According to the literature, job is a key determinant of life satisfaction: Gosselin (2000) demonstrates the strong bond between the two variables and they support the hypotheses that people draw utility from their jobs, which is then translated in satisfaction with their lives. Other studies show that the state of unemployment is cause of unhappiness (Oswald, 1997) and this situation is mainly explained by anxiety, depression, loss of confidence and self-esteem which characterizes unemployed people (Theoudossiyou, 1998). People are also less satisfied with their lives when giving more importance to job quality, and this result explains why workers' expectations have a further role in determining general perceptions on both job and life satisfactions (Dockery, 2005).

Furthermore, there has been a long-standing debate on whether money (in terms of purchasing power) "buys" happiness. Though a traditional assumption in much of welfare economics, experimental and empirical studies have lately cast some doubts on whether this notion generally holds true (Dluhosch *et al*, 2012). On the whole population analysis, in most cases "Easterlin paradox" is confirmed: Easterlin found that within a given country, people with higher incomes were more likely to report being happy. However, in international comparisons, the average reported level of happiness did not vary much with national income per person, at least for countries with income sufficient to meet basic needs. (Frey and Stutzer, 2002b; Blanchflower and Oswald, 2004; Easterlin and Angelescu, 2009).

A limited subset of this literature has examined the determinants of happiness in China (see Collino, 2013 paper II, and Easterly *et al*, 2013). Moreover, just a few studies have focused on determinants of the happiness of specific demographic groups, such as adolescents or the elderly (Brown and Tierney, 2009; Chen, 2003) or specific

occupations (Nielsen *et al.*, 2010). Other studies have considered happiness in rural China (Knight *et al.*, 2009; Knight and Gunatilaka 2009a, 2009b) or urban China (Appleton and Song, 2008; Smyth *et al.*, 2008; Smyth *et al.*, 2010).

As we can see from the next sub-section the literature analyzing the determinants of rural-urban migrants SWB and LS is extremely limited.

### **3.2 The determinants of LS of Chinese Internal migrants**

Nowadays there is a debate regarding rural-urban migrants life satisfaction trends and determinants (Heerink, 2013; Hen, 2013). Indeed, the migration-income nexus is too simplistic for at least two reasons: firstly, increasing income may be associated with increasing aspirations for the migrants, which may in turn result in a constant life satisfaction level (Easterlin 2001, Easterlin and Angelescu 2009); Secondly, the economic domain is not the only life aspect affected by migration that influences changes in subjective well-being (Switek, 2012). According to previous studies (REF) the results are quite contradictory and, hence, further research is needed to introduce some lights on this topic.

According to Nielsen and Smyth (2008), happiness levels among rural-urban migrants are lower than both those in the countryside and those with an urban *hukou* (Knight and Gunatilaka, 2008).

Knight and Gunatilaka (2008) seek to explain why the mean happiness score of rural-urban migrants is lower than those who remain in the countryside and those who have an urban household registration using 2002 Chinese household income project series (CHIP) data. Their explanation is that migrants' aspirations rise in the cities and that their expectations exceed their achievements. Migrants earn significantly lower wages, remaining concentrated in the worst job that are “dirty, dangerous and demeaning” (Nielsen and Smyth, 2008; Maurer-Fazio and Dinh, 2004) and are consequently expected to report lower life satisfaction (Nielsen and Smyth, 2008).

On the contrary, Heiwood, Siebert and Wei (2009), using a 1998 survey of Occupational Mobility and Migration, which surveyed three major cities in China (Beijing, Wuxi and Zhuhai), found that the migrants are generally more satisfied than urban citizens. Many of the critical determinants of their satisfaction turn on the role of expectations and of adaptive preferences (Clark, 2009). Hence they argue that women are thought to be more easily satisfied than men, and better educated migrants are thought to be less

easily satisfied as they have higher expectations.

Self-selection of migrants workers would suggest that they move only in the case that expectations of moving will improve their status.

Similarly, the crushing poverty of the countryside may inform that the life satisfaction of the rural migrants causing them to have greater satisfaction levels than urban residents who only compare themselves to other urban residents (Heiwood *et al*, 2009).

Yet, Zhao (1999) argues that actual comparison may be more complex than rural farm poverty and urban floaters. According to Heiwood *et al*, duration since migration is the key determinant and the main cause of higher life satisfaction levels among rural-urban migrants in China. Workers' expectations presumably change with the time they have been working in the urban labor market, as they compare themselves less with those in the countryside and more with other urban workers.

Akay, Bargain and Zimmermann (2011), support this argument using the Rural to Urban Migration in China (RUMIC)<sup>48</sup> dataset analyzing the determinants of SWB testing alternative reference groups for each population (rural workers, migrants and urban workers) separately. There is some evidence that rural people have positive relative concerns toward other rural, urban residents and migrants seem to behave more closely to the pattern found in developed countries, i.e., they experience a strong status effect when comparing themselves to other urban/migrants. In particular, the desire to stay in the urban region, and hence forming or leaving a reference group, has a noticeable impact on our results. Migrants who wish to settle permanently in urban regions show the strongest status effect.

---

<sup>48</sup> The years surveyed are 2008 and 2009. This data set, which doesn't include information on migrants life/job satisfaction, has been merged together with 2002 CHIP dataset.



## 4. An explorative empirical analysis on the determinants of migrants versus non-migrants workers LS in Beijing

### 4.1. The interpretative model

The empirical model utilised in this study is adapted from Heerink *et al.* (2013). Heerink *et al.* estimate job satisfaction of second generation rural-urban migrants in China. Through the examination of factors contributing to job satisfaction, they find that age and gender do not have a significant impact for young migrants, while working conditions play a major role. Taking into account our adaptation the main model to be estimated is the following:

$$JS_i = f(\alpha DC_i, \beta FC_i + \gamma ED_i, \delta OC_i, \theta WC_i)$$

where JS is job satisfaction the dependent variable which is related to the following independent variables: DC denotes a set of variables capturing demographic characteristics<sup>49</sup>, FC is a set of family characteristics<sup>50</sup>. Educational characteristics of the Chinese citizens are denoted by ED. The occupational characteristics of the migrant are denoted by OC<sup>51</sup>. The last set of explanatory variables represents working conditions (WC)<sup>52</sup>

### 4.2. Research design: sampling, data collection

Considering that rural-urban migrants can be considered, among Chinese society, “marginalized” groups and the lack of official data the author decided to carry out an ad hoc survey in Beijing<sup>53</sup>.

Therefore, the empirical analysis in this paper uses original data collected in Beijing

---

<sup>49</sup> It comprises age, sex and place of origin.

<sup>50</sup> It includes the number of family members in the home village, marital status, and the number of minor children.

<sup>51</sup> It includes variables representing the job category, employment type and how the migrant found the job.

<sup>52</sup> It includes income and health status.

<sup>53</sup> Due to time constraints and lack of funds I could not carry a more in-depth and extensive field research. Due to several difficulties related to reliability of official statistics, together with the circulatory, temporary nature of migrants' mobility and the employment of migrants in the informal sector, measuring the movements and mapping the “floating” population has been a tough operation

(from August to December 2012). The survey has been developed during the visiting program at the Chinese Academy of Social Sciences (CASS), Department of Population and Labor Studies in Beijing, which has supported our research during all the different phases.

### *Sampling design*

The goal of this research is not to generalize and measure the total migrant population but to get relevant information on a representative part of the population (migrant workers) in order to measure the determinants of LS. Unfortunately, given the characteristic of the floating population, the limited time and resources available we opted for a quasi-random sample. Therefore, as we can see later, the results should be read with carefulness and not extended to the entire population.

The sampling was divided into two step.

The first step consisted in selecting the areas to conduct the survey. The survey covered the main suburbs of the city, where migrants live and work. In order to avoid selection bias related issues and to make the survey more complete, we made some important pre-assumptions: first of all we identified the main areas populated by rural-urban migrants, understanding in which types of job they were employed in Beijing.

According to the results of this preliminary phase the main sample (or better first sub-sample) of the migrants was selected following a two-step sampling design. First, 30 open large markets where migrant live and work in Beijing were selected thanks to the researchers of CASS. Then, 5 open markets<sup>54</sup> were randomly chosen among them. The second step of the sampling was to select randomly the unit of the population on the street for face to face interviews. In order to have enough data for the econometric estimates a power analysis was conducted starting from the fact that 95% of migrants do not have a formal contract and considering 5% error. Given these elements 292 migrants had to be interviewed. Unfortunately due to time and financial constraints only 112 low skilled migrants have been interviewed (i.e. accepting an error of 8%).

Considering that, although internal migrants are mainly employed in low skilled jobs, some of them can also find high-skilled job in big cities in China the sample had to be integrated. Therefore, in order to cover the full range of migrant population and to have

---

<sup>54</sup> Zoo Market 动物园服装批发市场, Silk Street Market 秀水街市场, Beijing Yashow Market 三里屯秀市场, Baoguosi Culture Market 报国寺文化市场, Zhongguancun Electronics Market Beijing 中关村电子市场

a comparison group of non-migrants other two-sub-samples were needed and further interviews were carried out.

Thanks to CASS scholars and based on the information available in the preliminary phase, we chose 2 universities (Peking Universities and Chinese Academy of Social Sciences), 2 private companies (one Italian and one Chinese).

In this case a snowballing technique was applied<sup>55</sup>. This technique is commonly used in case of informal sector analysis in developing countries (Onwuegbuzie and Collins, 2007; Mc Cormik and Schmitz, 2002). Snowballing technique is as a non-probability sampling technique therefore these two sub-samples (the one of migrant with skilled job and non-migrant) derived is not random.

In other words the data collected can be used to try to understand the behavior and in our case the main determinants but obviously they cannot be used to generalize for the whole migrant and non-migrant population in Beijing. Indeed, only the first sub-sample the migrants in open markets were randomly selected.

The strategy has been utilized primarily as a response to overcome the problems associated with understanding and sampling concealed populations such as the deviant and the socially isolated (Mc Cormik and Schmitz, 2007)

The final dataset is composed by 219 workers totally (of which migrants are 143), collecting demographic and family characteristics information, *hukou* status and place of origin, jobs related information, income, physical and mental health, working conditions, life satisfaction and Beijing life evaluation related data.

#### *Questionnaire (please see appendix)*

This tool was developed with the help of Prof. Biggeri, Prof. Zhou and by researcher Sun from CASS.

Gather information about Beijingers and rural-urban migrants, the research topic comprises the welfare status of migrants: their jobs, income, physical and mental health, demographic and family characteristics, working conditions, life satisfaction and Beijing life evaluation. In particular regarding LS the questionnaire had some retrospective questions for 2006, 2009 and 2012.

---

<sup>55</sup> Snowballing technique is used for gathering research subjects through the identification of an initial subject who is used to provide the names of other actors from their acquaintances, mutual association and connections. This is referred to metaphorically as snowball sampling because as more relationships are built through new relationships and a plethora of information can be shared and collected, much like a snowball that rolls and increases in size as it collects more snow.

### 4.3. Descriptive analysis

In this sub-section the main results of the questionnaire are reported and divided for migrant and non-migrants.

When asking to self- evaluate personal life satisfaction, we also requested them to compare current satisfaction level with 2009 and 2006 life satisfaction. We aimed at understanding life satisfaction trends, to see if sharp changes occurred. As shown in table 3, a significant decrease in life satisfaction evaluation between 2006 and 2009, followed by a very little increase in 2012 (table 3.).

The situation changes if looking at migrants life satisfaction evaluation: a significant decrease in life satisfaction evaluation between 2006 and 2009, followed by a very little decrease in 2012.

**Table 3: Life satisfaction evaluation (scale 1-3), yrs 2006-2009-2012**

LS	2012	2009	2006
Total (mean) Obs: 197	1.92 (0.69)	1.88 (0.74)	2.18 (0.79)
Migrants Obs: 140	1.87 (0.66)	1.89 (0.74)	2.18 (0.80)
Beijingers Obs: 57	2.08 (0.72)	1.92 (0.75)	2.33 (0.73)

Wage and environment are, for both categories, the most critical issues related to job.

**Table 4: Working conditions evaluation (scale 1-4), mean values**

	Total Obs: 211	Migrants Obs: 139	Beijingers Obs: 70
Environment (air, noise...)	2.63 (0.69)	2.62 (0.70)	2.70 (0.63)
Safety	2.89 (0.68)	2.97 (0.67)	2.81 (0.64)
Working time	2.68 (0.69)	2.68 (0.71)	2.76 (0.63)
Intensity	2.60 (0.72)	2.64 (0.71)	2.56 (0.73)
Job satisfaction (position and duties)	2.48 (0.69)	2.51 (0.66)	2.42 (0.78)
Wage	2.48 (0.69)	2.35 (0.67)	2.42 (0.78)

When asking to rate various aspects related to Beijing life, both migrants and urban citizens report similar levels (table 4): migrants report lower levels than Beijingers in almost all working conditions related variables, except for job intensity and safety perception.

When asking to evaluate various aspect related to Beijing life, the lowest score has been assigned to housing situation (2.4 for migrants, 2.7 for Beijingers) and economic situation (2.8 for both categories). As shown in table 5, migrants' mean evaluation is higher than Beijingers.

**Table 5: : Self-evaluation (scale 1-5<sup>56</sup>) of various aspects related to Beijing life (2011-2012), mean values**

	Total Obs: 195	Migrants Obs: 139	Beijingers Obs: 56
Cost of living	2.26 (0.67)	2.34 (0.65)	2.19 (0.67)
Public transport	2.50 (0.80)	2.50 (0.79)	2.48 (0.85)
Cultural activities	2.70 (0.70)	2.74 (0.68)	2.68 (0.72)
Public services	2.78 (0.71)	2.76 (0.72)	2.83 (0.66)
Leisure time activities	2.65 (0.74)	2.64 (0.75)	2.74 (0.67)
Air quality	1.87 (0.63)	1.86 (0.59)	1.90 (0.70)
Noise	1.95 (0.70)	1.95 (0.67)	1.94 (0.74)
Traffic	1.78 (0.66)	1.79 (0.67)	1.76 (0.63)
Job opportunities	2.30 (0.68)	2.35 (0.68)	2.18 (0.66)
House prices	2.30 (0.68)	1.46 (0.62)	1.48 (0.63)

The last section of our questionnaire asks workers indicate what should be improved in Beijing: we were interested in understanding workers' point of view on various social and economic aspects of Beijing city.

---

<sup>56</sup> 1= very poor, 5= very good

It was a multiple choice question, where we listed most pivotal issues shared by the majority of Chinese cities.

Both Beijingers and migrants answered similarly: as shown in figure 3, house market, wage and health services are considered as priority issues to be solved in Beijing.

Given the exponential living costs and population increase, housing market has documented a dizzying price rise in recent years and the same happen for access to health services, which is reported to be difficult due to privatization process and long waiting lists.

Beijing wages are reported as too low, mainly due to informal sector and increasing living costs.

The most interesting result is related to *hukou* conversion: this option has been indicated as a priority issue only by 1/3 (32%) of the migrants' interviewed.

This is quite unexpected, if we consider that many China's top policy think-tanks suggest it could be the best way to revive and balance the economy.

Considering that rural-urban migrants often leave their families in the countryside, this result needs a more detailed interpretation: most of the interviewed declared that they were planning to stay in Beijing for a fixed-term period, aiming at earning enough money to go back to their places of origin.

As argued by Prof. Cai Fang (2012), migrant workers don't have the same benefits as the urban residents and that has significantly limited their participation in the labor market. That is because without access to health care, pensions or education for their children in their host city, migrants must return to their hometowns to settle down and raise a family<sup>57</sup>.

According to Wang (2010), maintaining *hukou* division in the urban labor market could be a strategy to attract more foreign capital investment and encourage private enterprises through a "stable and abundant supply of cheap unskilled or low skilled labor".

During the last China international urbanization forum<sup>58</sup>, Mr. Xu Xianping<sup>59</sup> declared that "a major task of China's urbanization is to citizenize the 200 million migrant workers living in the cities, along with the 10 million migrant workers heading to the cities each year. To this end, the Chinese Government should reform its household

---

<sup>57</sup> The full article on CASS conference held in Beijing on August 19 2013, is available here: <http://blogs.wsj.com/chinarealtime/2013/08/19/is-hukou-reform-the-key-to-reviving-chinas-economy/>

<sup>58</sup> This forum has been held in Shanghai on March 30-31 2013. Full article available here:

<sup>59</sup> Vice Minister of National Development and Reform Commission

registration system, ensure that all migrant workers have equal access to public services, and expand the basic pension system, basic medical care and low-income housing for permanent urban residents”.

Thinking about second generation migrants, who are more likely to settle down in cities compared to old generation ones, *hukou* conversion assumes a key role for China's social stability.

As Prof. Cai Fang wrote (2011), reforms that allow migrants to tap urban benefits could boost the size of the labor force, supporting China’s growth, without being as costly as the government fears.

Since household registration system have been established for more than 50 years, migrants' choice to the opinion poll seems to highlight a sort of “resignation” feeling and acceptance of this institutional barrier.

*Hukou* conversion is not considered as a key issue for the migrants interviewed: only 32% of the sample considers it important and vital for their stay in Beijing.

The most important issues are: lowering house prices (78%), higher wage (76%), increasing job opportunities (60%), making health services more affordable (66%), better air quality (63%) and more access to education (58%).

Table 6 shows summary statistics on workers' basic demographic, family and education level characteristics.

**Table 6: Main Demographic and institutional variables descriptive statistics**

	Obs.	Mean (SE)
<b>Demographic</b>		
<i>Sex (female)</i>	219	0.36
<i>Age</i>	218	25 <sup>60</sup> (1.05)
<i>Hukou (migrant)</i>	143	0.65 (0.47)
<i>Hukou (Beijing)</i>	76	0.22 (0.42)
<b>Family</b>		
<i>Married</i>	219	0.46 (0.49)
<i>Children</i>	219	0.29 (0.45)

<sup>60</sup> 1=18-24, 2=25-29, 3=30-39, 4=40-49, 5=50-59, 6=over 60

<i>House owned</i>	203	0.45 (0.49)
<i>Durable_index</i> <sup>61</sup>	219	4.01 (3.13)
<b>Education level</b>		
<i>Low</i>	217	0.15 (0.35)
<i>Middle</i>	219	0.17 (0.38)
<i>Upper</i>	219	0.66 (0.47)

The share of male in the sample equals to 64% and the mean age is comprised in the range 25-29.

65% of the whole sample is composed by rural-urban migrants. Family characteristics highlight that: more than half of the interviewed (54%) are married, 38% have children and 75% own its house. Regarding education level, considering that the mean age is between 25 to 29, it is quite intuitive that 78% of the sample reports upper education level.

**Table 7: Type of occupation, contract and job-related variables**

	Obs.	Mean
<b>OCCUPATIONAL CHARACTERISTICS</b>		
<b>JOB CATEGORY</b>		
<i>Worker</i>	219	0.10 (0.31)
<i>Administration</i>	219	0.10 (0.30)
<i>Sales</i>	219	0.25 (0.43)
<i>Marketing</i>	219	0.04 (0.20)
<i>Service</i>	219	0.18 (0.38)
<b>WORKING CONDITIONS</b>		
<b>TYPE OF CONTRACT</b>		
<i>Short term</i>	167	0.22 (0.42)

<sup>61</sup> It is an index based on the items owned by each individual and it is the result of the sum of: smartphone (1 point), motorcycle (2 points), computer (3 points), apple products (3 points) and car (3 points)



<i>Long term</i>	167	0.32 (0.46)
<i>Seasonal</i>	167	0.04 (0.21)
<i>Insurance</i>	219	0.35 (0.47)
<b>WORKING TIME</b>		
<i>Hours worked/week</i>	183	52.6 (23.7)
<b>PHYSICAL HEALTH</b>		
<i>Good health</i>	219	0.60 (0.49)

Analyzing occupational characteristics of the workers' interviewed, 28% of them are workers and 12% are merchants in open markets.

Beijingers job type are reported as follows: administrative (20%), sales (14%), marketing waiter (6%), workers (10%), general services (50%).

Migrants job type are reported as follows: administrative (8%), sales (37%), marketing (5%), waiter (12%), workers (28%).

Data on contract type are quite interesting: 24% of the workers (mainly the ones employed in open and street markets, which are most of the times part of the informal economy) declare not to have a written contract; on the contrary within the percentage having signed a contract, 55% declare that it is long-term. It seems to confirm the existence of a dual segmented labor market, where informal economy mainly includes rural-urban migrants.

Working time differs among job categories: it increases for merchants, who declare to work over 60 hours per week. Since workers have signed a written contract they report, in most cases, 40 working hours per week. The same condition is valid for other job categories.

#### 4.4 Estimation procedure

The model chosen for our analysis is *ordered logit*, which is a regression model used for ordinal dependent variables; it is an extension of the logistic regression model that applies to dichotomous dependent variable, allowing for more than two (ordered) response categories. Based on our literature review, we tried to adapt the reference model on our assumptions related to life and job satisfaction nexus, choosing life satisfaction as dependent variable and leaving demographic, family and education covariates equal to the reference model. Hence, we estimate the following equation:

$$LS_i = c + \alpha DC_i + \beta FC_i + \gamma ED_i + \delta OC_i + \theta WC_i + \varepsilon_i$$

$$i = 1 \dots n$$

where, *LS* is life satisfaction (scale 1-3), **DC** denotes a set of variables capturing demographic characteristics comprising age, gender, *hukou* status. **FC** is a set of family characteristics including marital status and a dummy variable if having children. Educational characteristics are denoted by **ED**. We distinguish between migrants with low, middle and upper education level. The occupational characteristics of the employees are denoted by **OC**. It includes variables representing the job category. The last set of explanatory variables represents working conditions (**WC**), which includes subjective evaluation of wage. Finally,  $\varepsilon$  represents the error term (with standard properties), while  $c$ ,  $\alpha$ ,  $\beta$ ,  $\gamma$ ,  $\delta$  and  $\theta$  represent the (vectors of) unknown coefficients. Since life satisfaction is an ordinal variable, we use an ordered logit regression model to estimate the equation. The main object of our research is to understand if and how job related variables are considered important and determinants of rural-urban migrants' life satisfaction. Considering that life and job are interlinked, we attempt to examine the factors that are related to the existing difference in life satisfaction, but will not try to unravel the more complex questions about direction of causality.

## 4.5 Results

The results of the model are reported for the whole sample. The results are shown in Table 4. We firstly discuss our results and then compare them with previous research done.

**Table 8: Ordered logit regression results, whole sample and migrants**

Life satisfaction (scale 1-3) <sup>62</sup>		
	Model 1 (Whole sample) DC+FC+ED+OC+WC	Model 2 (Migrants) DC+FC+ED+OC+ WC
<i>Sex (female)</i>	-0.301 (0.315)	-0.187 (0.465)
<i>Age</i>	-0.132 (0.024)	-0.128 (0.319)
<i>Age2</i>	0.084 (0.267)	0.108 (0.128)
<i>Hukou (migrant)</i>	<b>-0.794**</b> (0.366)	
<i>Married</i>	0.391 (0.415)	<b>0.807*</b> (0.515)
<i>Children</i>	-0.297 (0.415)	0.163 (0.661)
<i>House owned</i>	0.118 (0.324)	0.382 (0.444)
<i>Education level</i>	<b>0.526***</b> (0.165)	<b>0.444**</b> (0.683)
<i>Worker</i>	<b>-0.828*</b> (0.479)	-0.118 (0.683)
<i>Good health</i>	<b>0.644**</b> (0.470)	0.645 (0.468)
<i>Good wage</i>	<b>0.520*</b> (0.339)	0.505 (0.433)
<i>_cut1</i>	-2.337 (4.221)	-3.020 (4.620)
<i>_cut2</i>	0.378 (4.210)	0.220 (4.601)
<i>Pseudo R2</i>	0.106	0.107
<i>N. Obs.</i>	195	142
Note: Standard errors are in parentheses. * p<.10; ** p<.05; *** p<.01		

One important finding, where our result deviates from earlier research and, at the same time, demonstrates our literature background. This is confirming the results of by

<sup>62</sup> 1= not satisfied, 2= a little satisfied, 3= satisfied

Heerink *et al* (2013), age is one of the drivers of life satisfaction, but gender is not significant in our estimations.

In their case all the estimation were done using job satisfaction as the dependent variable but, as soon as life and job satisfaction are interlinked, we then consider these two variables as comparable for rural-urban migrants, who in most cases view job as their fundamental pull factor when moving to another province or city.

The coefficient related to age report a negative sign in both regressions. Education plays an important role when evaluating life satisfaction: its role is more important in the case of migrants. Confirming the literature, we find that education and physical health have a significant positive effect on life satisfaction.

We find that working conditions and occupation level play a role in life satisfaction evaluation. This confirms our hypothesis on life satisfaction and job related variables nexus.

Workers report lower satisfaction levels: the negative effect is exacerbated on workers. this category reports high amount of working hours, poor working conditions (harmful, toxic and unsafe work), being part of informal economy and not having house property. As showed by Meng and Zhang (2001), rural migrants with the same productivity as urban workers are less likely to have formal employment opportunities or they receive less pay for doing the same job. In our first regression on the whole sample, migrants report higher life satisfaction than our control group (represented by Beijingers): according to Heywood *et al* duration of migration changes the frame of reference toward the new urban setting. Through an analysis of migrants duration of migration, he finds that long-term contracts and longer stay in the city might cause migrants to judge their life satisfaction more harshly. One possible explanation, which strongly confirm previous literature on migration and subjective well-being, is the role of increasing aspirations, expectations and relative income. This could be linked with changing comparison reference group, but also with increasing living costs and more competition which together exacerbate workers living and working conditions conditions. As already shown in figure 1, Beijingers evaluate their working conditions using a 1-4 scale as 2.5,<sup>63</sup> while for migrants is 3.2.

---

<sup>63</sup> 1= very dissatisfied, 4= very satisfied

## 5. Final remarks

Despite experiencing notable changes in rural-urban migration, China's migrant workers are still an important engine which drives China's fast growing economy. Migrants' profile and their attitudes towards working and living in the cities are different from the past. The destinations of migrants are also changing as a result of government policies and the global financial crisis. More migrants find jobs in medium and small size cities, which are often located in western and central China instead of the coastal region.

In this paper we aim at giving our contribution to the research on life satisfaction in China. This strand of research in China is of particular importance given concerns over social discontent and political instability in the country (Appleton and Song, 2008).

Our broad pattern of determinants of life satisfaction among Chinese workers appears remarkably similar to those from western countries.

Partly confirming Heywood *et al* (2009) results, we show that life satisfaction declines depending on the type of job and age and increases with education. It is higher for married workers with children.

Job related variables play an important role in life satisfaction evaluation. This confirms our hypothesis on life satisfaction and job related variables strong nexus.

Workers and merchants report lower satisfaction levels and the negative effect is exacerbated on workers. Both categories report high amount of working hours, poor working conditions (harmful, toxic and unsafe work), being part of informal economy and not having house property.

According to the results, long- term contracts has a negative effect on life satisfaction: this data could be a demonstration of Heywood *et al* assumptions: duration of migration changes the frame of reference toward the new urban setting. Duration, we suspected, might cause migrants to judge their life satisfaction more harshly. One possible explanation, which strongly confirm previous literature on migration and subjective well-being, is the role of increasing aspirations, expectations and relative income.

According to the results, expectations and reference group seems to play a key role in migrants' evaluation of life satisfaction. As Senik (2008) points out, the direct importance of expectations for utility opens up a whole new set of questions. The role of expectations and expectation manipulation is a field still wide open to economists, both experimentally and empirically (Frijters, 2012).

Further research on Chinese workers' (especially on “floating” population) could be useful to understand their perspective and address functional policies aiming at ensuring social stability and the desired “harmonious” development.

## References

- Bamundo, P.J., 1977. The relationship between job satisfaction and life satisfaction: an empirical test of three models on a national sample. Ph.D. dissertation, University of New York.
- Bamundo, P.J., Kopelman, R.E., 1980. The moderating effects of occupation, age and urbanization on the relationship between job satisfaction and life satisfaction. *Journal of Vocational Behaviour*, 17, 106-123.
- Bartel, A.P., 1979. The Migration Decision: What Role Does Job Mobility Play? *The American Economic Review* 69(5):775-786.
- Biggeri M., 2007. China in perspective: from economic “miracle” to human development?. In Ashwini Deshpande (Ed), *Globalization and Development: A Handbook of New Perspectives*, Oxford University Press, New Delhi
- Biggeri M., Hirsch G., 2008. L'altra Cina. *Studi e Note di Economia*, (13): 265-298.
- Blackburn, M.L., 2009. Internal migration and the earnings of married couples in the United States. *Journal of Economic Geography*, 10: 87-111.
- Brown, P.H. and Tierney, B., 2009. Religion and subjective well-being among the elderly in China. *Journal of Socio-economics*, 38, 310-319
- Cai, F., Du, Y., Wang, D., 2011. *Zhongguo renkou yu laodong wenti baogao No.12* (Report on China's Population and Labour), Beijing: Shehui kexue wenxian chubanshe.
- Cai, F., Kam, W.C., 2000. The political economy of urban protectionist employment policies in China. Working Paper Series No.2, Chinese Academy of Social Sciences, Institute of Population Studies.
- Champoux, J.E., 1981. An exploratory study of the role of job scope, need for achievement and social status in the relationship between work and non work. *Sociology and Social Research*, 65, 153-176.
- Chan, K.M., Li, Z., 1999. The hukou system and rural-urban migration: processes and changes. *The China Quarterly*, 160, 818-855.
- Chen, C., 2003. Revisiting the disengagement theory with differentials in the determinants of life satisfaction. *Social Indicators Research*, 64, 209-224.
- Clark, A., Frijters, P., Shields, M.A., 2008. A survey of the income happiness gradient. *Journal of Economic Literature* 46 (March (1), 95-144, Also IZA, NCER, and DELTA Discussion Paper.
- Constant F.A., Zimmermann F.K., *International handbook on the economics of migration*, 2013. Temple University US and IZA Bonn.
- Diener, E., Suh, E.M., Lucas, R.E., and Smith, H.L., 1999. Subjective well-being: Three decades of progress. *Psychological Review*, 125, 276-302.
- Di Tella, R., MacCulloch, R.J., Oswald, A.J., 2001. Preferences over Inflation and Unemployment: Evidence from Surveys of Happiness, *American Economic Review* 91, 335-341.

- Dluhosch, B., Horgos, D., Zimmermann, K.W., 2012. Explaining the Income Distribution Puzzle in Happiness Research: Theory and Evidence.
- Dockery A.M., 2005. The Happiness of Young Australians: Empirical Evidence on the Role of Labour Market Experiences, *Economic Record*, v.81, iss.255, pp.322-335
- Drury., D., Arneberg, W.M., 2001. No more forever: The Chinese Labour Force in Time of Reform.
- Fafo report 356, Fafo Institute for Applied Social Science.
- Easterlin, R.A., 2001. Income and happiness:towards a unified theory. *Economic Journal* 111, 465–484.
- Easterlin, R.A., 1974. Does Economic Growth Improve the Human Lot? in Paul A. David and Melvin W. Reder, eds., *Nations and Households in Economic Growth: Essays in Honour of Moses Abramovitz*, New York: Academic Press, Inc.
- Easterlin, R.A., Angelescu, L., 2009. Happiness and Growth the World Over: Time Series Evidence on the Happiness-Income Paradox. Discussion Paper 4060, Institute for the Study of Labor (IZA).
- Frey, B., Stutzer, A., 2002. What can economists learn from happiness research? *Journal of Economic Literature*, 40, 402-435.
- Frijters, P., Liu, A.Y, Meng, X. 2012. Are optimistic expectations keeping the Chinese happy?. *Journal of Economic Behavior and Organization*, 81 (2012), 159-171
- Gosselin, E. (2000). La nature, la direction et l'intensité de la relation unissant la satisfaction au travail et la satisfaction hors travail: une analyse psycho-temporelle. Doctoral Dissertation, University of Montreal, School of Industrial Relations.
- Kam, W.C., 2012. Migration and development in China: trends, geography and current issues, *Migration and Development*, 1:2, 187-205
- Kapteyn, A., Smith, J., Van Soest, A., 2009. "Life Satisfaction," IZA discussion papers 4015, Institute for the Study of Labor (IZA).
- Kavanagh, M.G., Halpern, M., 1977. The impact of job level and sex differences on the relationship between life and job satisfaction. *Academy of Management Journal*, 20, 66- 73.
- Knight, J., Gunatilaka R., 2008. Aspirations, Adaptation and Subjective Well-being of Rural–Urban Migrants in China. Discussion Paper Number 381, University of Oxford.
- Knight, J. and Gunatilaka, R., 2009a. Income, aspirations and the hedonic treadmill in a poor society. Department of Economics, University of Oxford, Discussion Paper No. 468.
- Knight, J. and Gunatilaka, R., 2009b. Is happiness infectious? Department of Economics, University of Oxford, Discussion Paper No. 446.
- Knight, J. and Yueh, L., 2009. Segmentation or competition in China's urban labour market? *Cambridge Journal of Economics*, 33, 79-94.
- Haas, H., 2011. The determinants of international migration: Conceptualizing policy, origin and destination effects. Internal Migration Institute, University of Oxford, WP 23



- Headey, B., Veenhoven R., Wearing, A.J., 1991. Top-Down versus Bottom-Up Theories of Subjective Well-Being, *Social Indicators Research* 24, 81-100
- Heerink, N., Wang, H., Pan, L., 2013. Working Conditions and Job Satisfaction of China's New Generation of Migrant Workers: Evidence from an Inland City. Discussion paper 7405, Institute for the Study of Labor (IZA).
- Heiwood, S.J, Siebert, S.W., Wei, X., 2009. Job Satisfaction and the Labor Market Institutions in Urban China. Discussion paper 4254, Institute for the Study of Labor (IZA).
- Hirsch, G., 2005. Internal Labour Migration in China: Social and Economic Implications for the Guangdong Province, PhD Thesis. Doctorate in Politics and Economics of Developing Countries, Florence (Italy): University of Florence.
- Li, B., 2006. Floating population or urban citizens? Status, social provision and circumstances of rural-urban migrants in China. *Social Policy & Administration*, 40(2), 174- 195.
- Liu, Y., He, S., Wu, F., 2008. Urban pauperization under China's social exclusion: A case study of Nanjing. *Journal of Urban Affairs*, 30(1), 21-36.
- Maurer-Fazio, M., Dinh, N., 2004. Differential Rewards to, and Contributions of, Education in Urban China's Segmented Labor Markets, *Pacific Economic Review* 9(3):173-189.
- McCormick, D., and H. Schmitz, 2001. Manual for value chain research on homeworkers in the garment industry. Draft, Institute of Development Studies, University of Sussex. Available at <http://www.globalvaluechains.org/docs/weigomanualendnovol.pdf>
- Meng,X., 2000. Labour Market Reform in China. Cambridge University Press, Cambridge.
- Meng, X. and Zhang, J.S. 2001. Two-tier labor market in urban China: occupational, segregation and wage differentials between urban residents and rural migrants in Shanghai. *Journal of Comparative Economics* 29(3): 485-504.
- National Bureau of Statistics of China (NBSC), 2010. 2009 Monitoring Report of Migrant Workers, (online: [www.stats.gov.cn/tjfx/fxbg/t20100319\\_402628281.htm](http://www.stats.gov.cn/tjfx/fxbg/t20100319_402628281.htm)), April 17, Beijing. (Chinese)
- Nielsen, I., Paritski, O and Smyth, R., 2010. Subjective well-being of Beijing taxi drivers. *Journal of Happiness Studies*
- Nielsen, I., Russell, S. 2008. Job Satisfaction and Response to Incentives among China's Urban Workforce. *Journal of Socio-Economics* 37: 1921 – 36.
- National Population and Family Planning Commission of China (NPFPC). 2012. Report on China's migrant population development, Beijing: China Population Publishing House. (Chinese)
- OECD, 2009. Are all Migrants Really Worse Off in Urban Labour Market? New Empirical Evidence from China. DEV/DOC (2009) 3.
- Onwuegbuzie, A.J. and Collins, K., 2007. A typology of Mixed Methods Sampling Designs in Social Science Research. *The Qualitative Report*, Vol. 12, No. 2 June, pp 281-316, [online], <http://www.nova.edu/ssss/QR/QR12-2/onwuegbuzie2.pdf>

- Oswald A., 1997. Happiness and Economic Performance, The Warwick Economics Research Paper Series, University of Warwick
- Rush, A., 2011. China's Labor Market. China's Labor Market Bulletin, September Quarterly 2011
- Senik, C., 2008. Is man doomed to progress? Journal of Economic Behavior and Organization 68, 140–152.
- Sjaastad, L.A., 1962. The Costs and Returns of Human Migration. Journal of Political Economy, 70(5): 80-93.
- Smyth, R., Mishra, V., Qian, X., 2008. The environment and well-being in urban China. Ecological Economics, 68, 547-555.
- Smyth, R., Nielsen, I. and Zhai, Q., 2010. Personal well-being in urban China. Social Indicators Research, 95(2), 231-251.
- Song, L., Appleton, S., 2008. Life Satisfaction in Urban China: Components and Determinants. IZA Discussion Papers 3443, Institute for the Study of Labor (IZA).
- Strack, F., Argyle, M., Schwartz, N., 1991. Subjective well-being (An interdisciplinary perspective). UK; Pergamon Press.
- Switek, M., Morgan, R., Easterlin., A.R., Fei. W., 2012. China's Life Satisfaction 1990-2010. University of South California.
- Theoudossiou I., 1998. The Effects of Low-Pay and Unemployment on Psychological Well- being: A Logistic Regression Approach, Journal of Health Economics, v.17, iss.1, pp.85-104
- Veenhoven, R., 2004. Average Happiness in 90 Nations 1990–2000, World Database of Happiness, RankReport 2004/1c, Internet: [worlddatabaseofhappiness.eur.nl](http://worlddatabaseofhappiness.eur.nl).
- Wang, C., 2010. Study on social integration of new generation migrant workers in cities. Population Research 34(2): 31–34. (Chinese)
- Xu, H., 2013. The Causal Effects of Rural-to-Urban Migration on Children's Wellbeing in China, University of Michigan.
- Zhao, Yaohui.1999. "Labor Migration and Earnings Differences: The Case of Rural China," Economic Development and Cultural Change 47: 767 – 82.
- Zhu, A., Cai, W., 2012. The Lewis Turning Point in China and its Impacts on the World Economy. AUGUR Working Paper.

**Appendix: Beijing survey, English version**

<b>Q1: AGE</b> <ul style="list-style-type: none"> <li>• 18-24</li> <li>• 25-29</li> <li>• 30-39</li> <li>• 40-49</li> <li>• 50-59</li> <li>• OVER 60</li> </ul>	<b>Q2: MARITAL STATUS</b> <ul style="list-style-type: none"> <li>• Single</li> <li>• Engaged</li> <li>• Married, no children</li> <li>• Married, with children</li> <li>• Divorced</li> <li>• Widowed</li> </ul>	<b>Q3: EDUCATION LEVEL</b> <ul style="list-style-type: none"> <li>• Less than Junior High school</li> <li>• Junior high school</li> <li>• High School</li> <li>• University</li> <li>• Master</li> <li>• PhD or higher</li> </ul>
<b>Q4: PLACE OF ORIGIN</b> <ul style="list-style-type: none"> <li>• Beijing</li> <li>• Other province</li> </ul>	<b>Q5: HUKOU STATUS</b> <ul style="list-style-type: none"> <li>• Beijing Urban</li> <li>• Beijing rural</li> <li>• Other province urban</li> <li>• Other province rural</li> </ul>	<b>Q6: TYPE OF JOB</b> <ul style="list-style-type: none"> <li>• Administrative</li> <li>• Sales</li> <li>• Marketing</li> <li>• Services (waiter)</li> <li>• Workers</li> <li>• Other, please explain</li> </ul>
<b>Q7: HOW LONG DID YOU WORK IN THIS COMPANY?</b> <ul style="list-style-type: none"> <li>• Less than 3 months</li> <li>• 3 months to 1 year</li> <li>• 1 to 3 years</li> <li>• 4 to 6 years</li> <li>• 7 years</li> </ul>	<b>Q8: TYPE OF CONTRACT?</b> <ul style="list-style-type: none"> <li>• Short-term contracts</li> <li>• Long-term contract</li> <li>• Project-based contracts</li> <li>• Seasonal contract</li> </ul>	<b>Q9: WHAT DOES THE CONTRACT INCLUDE?</b> <ul style="list-style-type: none"> <li>• Injury insurance</li> <li>• Unemployment Insurance</li> <li>• Maternity Insurance</li> <li>• Medicare</li> <li>• Pension insurance</li> <li>• Housing Fund</li> <li>• None of them</li> </ul>
<b>Q10: HOURS WORKED/WEEK</b> <hr/> <b>Q11: DAYS WORKED/WEEK</b> <hr/>	<b>Q12: ITEMS OWNED</b> <ul style="list-style-type: none"> <li>• Motorcycle</li> <li>• Car</li> <li>• Computer</li> <li>• Smartphones</li> <li>• Apple products</li> </ul>	<b>Q13: HOUSE</b> <ul style="list-style-type: none"> <li>• Owned</li> <li>• Rent</li> <li>• Other</li> </ul>

**Q14: WORKING CONDITION EVALUATION**

	VERY BAD	BAD	GOOD	VERY GOOD
Environment (air, noise...)				
Safety				
Working time				
Intensity				
Job satisfaction (position and duties)				
Wage				

**Q15: HOW SATISFIED ARE YOU ABOUT....IN BEIJING?**

	VERY DISSATISFIED	NOT SATISFIED	SATISFIED	VERY SATISFIED
Cost of living				
Public transport				
Cultural activities				
Public services (Banks, Shopping malls)				
Leisure time activities				
Air quality				
Noise				
Traffic				
Job opportunities				
House prices				

**Q16: LIFE SATISFACTION EVALUATION, THREE DIFFERENT PERIODS**

	TODAY	2009	2006
SATISFIED (3)			
A LITTLE SATISFIED (2)			
NOT SATISFIED (1)			

**Q17: IN BEIJING, WHAT SHOULD BE IMPROVED?**

- Hukou status conversion
- House price situation
- Access to education
- Access to health services
- Air quality
- Wage
- Job opportunities

## Paper IV

# Chinese Trade Union Role and Functions: A Case Study on Labor Conditions into Italian's Firms in Jiangsu Province

### Abstract

Through the analysis of the role played by the Chinese labor union (*ACFTU*, *All-China Federation of Trade Unions*) in collective bargaining process, this report tries to provide a clear and detailed background of labor market change and reforms since the foundation of the PRC. Thanks to the valuable collaboration with the Chinese Labor Union “*Jiangsu Federation of Trade Unions (JFTU)*” in Nanjing, we were able to analyze the labor union's effect and influence on the business environment, by conducting a field research in Jiangsu province, involving 24 companies and 217 workers, to which we have submitted two questionnaires in order to collect data concerning the contract and the working time. The main findings turn out to be controversial: if, on the one hand, the functionality and importance of the labor union must be acknowledged as the guarantor of the workers' rights, on the other hand we realize that the labor union and the Chinese industrial sector need further structural reforms in order to ensure a uniform treatment of workers and a greater compliance with the strict Chinese laws in the work environment

---

*JEL* classification: J01, J21, J51

*Keywords*: Chinese labor market, rural-urban migration, *hukou*, Trade Union, China, Italy, Jiangsu, FDI

## 1. Introduction

Despite the importance of its social and economic implications, still little is known, the living conditions of floating population and their impact on the origin and destination places.

Labor standards are a complex and multi-faceted issue which usually refer to a set of workers' conditions and rights concerning wages, working hours and work intensity, occupational safety and health hazards (Chan, 2003; Maskus, 1997)

Several surveys report that when they work in the same position of a local worker, they usually receive a lower pay (Meng and Zhang, 2001); that they usually bear poor working conditions and long hours working (according to a survey conducted by Chan in Guangdong (Chan, 1998), migrant workers usually work between 11 to 14 hours per day), they seldom have labor contracts and usually lack of trade unions protection (Chan, 1998, Li, 2004)<sup>64</sup>. They usually do not have access to local social protection and to schools for their children (Solinger, 1995). Migrants' children are in fact not eligible for compulsory education that is geographically bounded, either their parents pay private school fees which are usually unaffordable for them, or send their children to informal schools, in the worst case migrants' children remain missing out on any educational system<sup>65</sup>.

For instance, according to Hsing, in between 1979 and the end of the 1990s, thanks to the abundant supply of migrant workers, Taiwanese investors employed a strategy of "people sea" to expand their production capacity in southern China. Such strategy was tightly combined with the exploitation of unorganized and unprotected migrant workers (Hsing, 1998)

According to Giovanna Hirsch (2005, p. 141), "both from the interviews to the managers and from the literature emerged that very often migrant workers live and sleep in dormitories inside the factory. So when they find a job they do not have to find an accommodation but this system, as it has been already explained in the previous papers of this thesis, is a double edge sword as in this way the workers can be better controlled by the employers and do not have any other distraction from their job during the time

---

<sup>64</sup> As we will see in chapter 4, many of these aspects will be also confirmed by information gathered on the field.

<sup>65</sup> On this topic see several articles on the following websites: [www.chinadaily.com](http://www.chinadaily.com); <http://english.people.com.cn>; [www.chinalaborwatch.org](http://www.chinalaborwatch.org)

they stay in the factory (Chan, 2001).” From Hirsch (2005, p.141) interviews, it emerged that, even if the declared hours of work are 8 hours a day, the daily and weekly workload of employees mainly depends on the orders the firms receive<sup>66</sup>.

According to Zhang (2002), “Yet the country’s vast pool of cheap labor makes it easy for employers to refuse to pay maternity leave or simply to fire women workers when they become pregnant. In many factories, the working conditions and environment are harmful to women’s health, particularly in the footwear and garment factories. The chemical fumes, unbearable heat, and long hours of standing not only affect women’s general physical health but are also detrimental to their reproductive health. Migrant women workers tend to be naïve and unassertive, leaving them more vulnerable to sexual harassment and personal abuse than local women” (Zhang, 2002, p.32).

The main objective of this paper, written in collaboration between Jiangsu China Federation of Trade Unions (JFTU) in Nanjing and CGIL Toscana<sup>67</sup>, has the overall objective to carry out a survey on Italian SMEs FDI in Jiangsu Province, paying special attention to the social factors related to the workers and to the dynamics of collective bargaining. This province, one of the most developed in the industry along with Zhejiang and Guangdong, ranks among the top three in terms of FDIs especially by Italian companies that want to internationalize themselves in China. Thanks to its favorable geographical position, it has many important excellences, such as innovation, research and attention to the development of products with high added value, thus it is very interesting as a case study in industrial and economic development.

Through the analysis of the role played by the Chinese labor union (ACFTU, All-China Federation of Trade Unions) in collective bargaining process and inside labor market, we set ourselves two objectives: on the one hand providing a clear and detailed background of the latest labor union reforms and current issues, on the other hand we want to try to understand how Italian companies fit in this province by an ad-hoc analysis that we developed along with the Chinese labor union.

This paper is divided into four sections. In the second one, as an introduction to the subsequent analysis and referential frame, will deepen the role and functions of the Chinese labor union at national and provincial level.

---

<sup>66</sup> Hsing (1998) notes that in some Taiwanese factories, workers enjoyed better conditions and skilled training when the investor had a more stable source of orders and a longer term investment plan.

<sup>67</sup> This project depends upon "Pir thematic analysis", Table of Area Asia of Toscana Region assigned to "Progetto Sviluppo" CGIL Toscana (Decree No. 6414 of 28 December 2011) and was carried out by "Progetto sviluppo" and IRES Toscana.

Thanks to the collaboration of Chinese Academy of Social Sciences (Dept. of Labor studies) professors, a complete and clear review of latest labor reforms and current issues has been carried out and reported in this section.

In the third section the case study is presented. including a brief presentation of the historical and economic profile of Jiangsu Province, and the presentation of the field research including the methodology and the instrument used.

Our methodology included two phases: first of all carrying out in-depth interviews with Italian managers and Jiangsu Trade Union officials and the second phase using a questionnaire for Chinese employees working in the Italian companies.

In the fourth section the main research findings are presented. It is important to acknowledge that this is the first research conducted in Jiangsu province aiming at analyzing the working and living conditions of employees have been considered too sensitive by Chinese institutions and a complete review has been made to be accepted by the Chinese partners.

Unfortunately given the sensitiveness of the questions related to the labor condition some questions were eliminated by the trade union from the questionnaire.

The data collected are not complete and we could not carry out a very deep analysis on Jiangsu labor market but, due to the difficulties encountered during the fieldwork and thanks to the cooperation of two important government institutions (CASS and JFTU), this final work can be considered relevant and valuable. Furthermore, this is the first time that a joint project with Jiangsu Federation of Trade Union is carried out; the intrinsic value of this research lies in the involvement of various actors which, together, have been able to pursue a constructive dialogue and analysis on major Chinese labor market issues.

Considering these qualitative limitations and the sample representativeness, we do not pretend to give a complete picture of the reality of Italian's FDI firms, but they offer an interesting overview by outlining a general profile of Italian companies in this Province and on the labor force conditions. Last section concludes.

This study lays the foundation for further studies and investigations in this field in order to understand what may be the growth prospects in this sector for the next future.



## 2. Chinese Trade Union

### 2.1 Historical origin

The origin of the Chinese labor union dates back to the '20s and it can be traced back to a famous protest that Sun Yat- Sen made against Qing, the last imperial dynasty, in order to obtain radical political reform and economic modernization<sup>68</sup>.

After the end of the empire<sup>69</sup> this emerging movement, linked to the Kuomintang (KMT) until the '20s, gained an increasing importance in issues related to the world of work and further strengthened itself after the establishment of the CCP, which took over the paternity of the movement by founding in 1921 the *Labor Secretariat* in support of the protest movements of workers in Shanghai. In May 1925 in Guangzhou were gathered 277 delegates representing 540,000 workers and, during the National Congress on work, was founded the first and still one Chinese labor union, called the *All China Federation Trade Unions*.

Within a few years under the total control of the Party, it grew bigger especially in important and more developed cities, such as Guangzhou, Hong Kong, Shanghai and Wuhan. After the clash with the KMT and the subsequent displacement of the CCP in the rural areas of the country, the philosophy and principles of the labor union radically changed reflecting the evolution of the political and historical changes in the country<sup>70</sup>.

Year 1948 can be considered a historic day for the labor union of the CCP which, following the conquest of Manchuria, organized in Harbin the Sixth Congress on work. On that occasion the ACFTU resumed its operation becoming, since the founding of the Republic in 1949, the only labor union authorized across the country.

In order to face the reforms and the internal structural changes, the labor union was submitted to a radical reorganization, starting from the unification of the labor unions belonging to the CCP and the KMT during the unification period, creating many

---

<sup>68</sup> The first organization on the union model is the *Guangdong Mechanics Association*, founded in 1906.

<sup>69</sup> Among the causes of the end of the empire we can detect even the protests of workers in Shanghai.

The wave of democracy and the changes that Sun Yat-sen promoted lasted until 1912, when he was forced to surrender and the country fell back into chaos, between military regimes and movements pro-empire. During this period, the activities of the emerging labor union stopped and were submitted to heavy restrictions.

<sup>70</sup> Following the conflict between KMT (led by the successor Chiang Kai Shek) and CCP, many union Representatives were murdered and exiled because they belong to the two political factions. It is estimated that, in 1927, 13,000 labor unionists have been killed (Lee, 1986:8).

problems related to the labor union's basic inspirational philosophy (the firm or the territory) and the autonomy level of its activities.

The union changes followed hand in hand the economic reforms and the gradual process of industrialization<sup>71</sup> that was taking place in the country, promoting the model "*iron rice-bowl*" around the country<sup>72</sup>.

## 2.2 Trade Union Structure and Functions

The labor union became a promoter of the socialist principles and assumed the role of party representative within the companies.

We have four key points that identify it:

1. Hierarchical Organization and centrality of the CCP's role
2. Labor unionism on a territorial and non-industrial basis
3. Focus on increasing production and welfare, rather than on collective bargaining
4. Participation of workers on a democratic basis

These principles, surprisingly, did not undergo radical changes and still remain the key principles on which it bases its activities<sup>73</sup>. In order to better understand their functions, it is necessary an in-depth analysis of its internal structure.

On the basis of the *Law on Trade Unions*, promulgated in 1950, and the *ACFTU's* status, it turns out to be the only labor union approved and authorized in the country; the CCP has complete control on it and directly appoints its leaders<sup>74</sup> and its structure, organized at the local level<sup>75</sup>, where there is the Leninist principle of "democratic centralism"<sup>76</sup>.

---

<sup>71</sup> During the Great Leap Forward (1958-1960), the country basing on Soviet ally, focused on heavy industry sinking after that in a heavy economic crisis.

<sup>72</sup> As we mentioned in section 1.1, the work unit provided a comprehensive welfare package to the employee.

<sup>73</sup> The Chinese labor union did not undergo radical changes, despite having been the victim of many attacks, especially during the period of the Cultural Revolution, in which it was accused of excessive bureaucracy and attention to purely economic issues, so forced to temporarily cease its activities. Although still identifies itself as an institution relating to the CCP, the retake of its activity is due to revolutionary groups and then to the "Gang of Four", which aimed to extend his power within the country by controlling the labor union. Following the death of Mao Zedong and the conviction of the "Gang of Four", its activities restarted after the rise to power of Deng Xiaoping but, surprisingly, its structure and its constitutive principles were those before the Cultural Revolution.

<sup>74</sup> «Trade unions shall ... uphold the socialist road, the people's democratic dictatorship, leadership by the Communist Party of China...» (TUL 2001: Art. 4).

<sup>75</sup> The structure of the labor union considers units both at the local level and at firm level; latter ones appear to be subordinated to the former ones.

<sup>76</sup> According to this principle, subordinated units must receive orders and directives directly from the units of the highest level (ACFTU 2008a: Art.9.6).

The normative restrictions of the labor union occur through the lack of separation from the CCP; in practice, almost at every level, every labor union's leader is at the same time a party official<sup>77</sup>: the current President is also a member of the Politburo.

As we can see in Table 1, its structure can be described as a *six-tier model*: the labor union's structure is confirmed absolutely hierarchical and well-structured at the local level. The number of labor unions, updated to 2008 (more recent data are not available), amounts to over 1,320,000 with a total of employees (full-time and part-time) of almost one million people.

**Table 1: Structure and number of officials (2008)**

<i>Level</i>	<i>Number</i>	<i>Number of full-time officials</i>	<i>Number of part-time officials</i>
<i>National</i>	<i>1</i>		
<i>Provincial</i>	<i>31</i>		
<i>Municipal</i>	<i>333</i>	<i>99,67</i>	<i>236,79</i>
<i>County</i>	<i>2,860</i>		
<i>Sub-county</i>	<i>22</i>		
<i>Total</i>	<i>1323,97</i>	<i>443,11</i>	<i>483,990</i>

Source: Chinese Trade Unions Statistics Yearbook (2008, 67, 88, 90). Data processing by Traub-Merz (2011)

In the economic sense, the labor union mainly finances itself through two different taxations: at the individual level through a 0.2% levy from the gross salary of the member, at the corporate level corresponding to 2% of total payroll, regardless of the number of associated employees and it is valid only for the companies belonging to the labor union<sup>78</sup>. In addition, the high-level union institutions are allowed to invest by generating and retaining some of the profits.

The ACFTU does not publish any financial statements in terms of that; the only available data are related to their income at the national level, corresponding to 226 billion RMB in 2007. In the face of this taxation, what are the services currently offered

<sup>77</sup> In 2006, almost 80% (7687 out of 9634) of the labor union leaders also held a political office (Chinese Trade Unions Statistical Yearbook, 2007: 95).

<sup>78</sup> This rule can be changed according to the provinces. Specifically, in the Jiangsu province, this tax is applied equally to all companies, even those that do not adhere to the labor union.

to workers and, above all, despite the clear and still existing internal contradictions, how the labor union has adapted to their needs today? Over the past three decades, it faced a few issues: from the privatization of *SOEs* to the consequent increasing unemployment, from the greater internal mobility to the following issues related to the treatment of migrants in the country's urban areas, it gradually had to review its role and its functions, strategically repositioning itself on the private sector, also focusing on rural areas<sup>79</sup>.

**Table 2: % percentage of employees and union subscriptions by type of company, urban areas (2006)**

Type of companies	Employees (mln)	Unionized workers	% of total number of employed members	% of total number of employed non-members
Public	71,940,000	42,576,126	59,2%	41,8%
Chinese private	68,380,000	64,974,440	95.0%	5%
<i>Self-employed businesses</i>	30,125,000	5,053,613	9.8%	81.1%
Hailing from HK, Macao and Taiwan	6,110,000	4,793,093	78.4%	22.6%
Foreign invested	7,960,000	7,004,311	88.0%	12%
Others	u.	980,538	u.	u.
Total of companies	184,515,000	125,382,121	68.0%	32%
Institutions	28,333,000	30,947,249	109.2%	-
Government agencies	11,118,000	13,142,372	118.2%	-
Undocumented	59,134,000	470,369		
Total	283,100,000	169,942,111	60%	40%

Source: China Statistical Yearbook (2009), China Trade Unions Statistics (2007) e China Statistical Yearbook (2007), data by Traub-Merz (2011)

Analyzing the data in table 2, it seems that the subscription to the labor union has

<sup>79</sup> As we mentioned earlier, the country's rural areas were excluded from the union activities in 1948 (Lee 1986:29), when it began to operate in country's urban areas. It was only in the '80s that the ACTFU realized the importance of this matter, after the massive internal migration and the dismantling process of *SOEs*.

increased and has very high percentages (60% of total enterprises, but with peaks as much as 95% in Chinese private companies) and this leads us to think about its real usefulness in the collective bargaining process and the successful repositioning actions in recent years.

Specifically in the case of Foreign-Invested Enterprises (FIEs)<sup>80</sup>, thanks to the labor union's pressure and after the direct provisions of Hu Jintao, the union subscriptions reached 60% in 2006 and 80% in 2008 (Traub Merz, 2011) . Large corporations like McDonald's, Wal-Mart, Kodak and

Dell immediately adapted to this and the labor union triumphantly announced that 82% of multinational companies in China had accepted the subscription (ACTFU, 2008b).

As we all know, the Chinese statistical yearbooks are very often not realistic and it is necessary to resize the numbers shown in the table. If subscription rates in SOEs, in government institutions and FIEs are plausible (especially because of their easy identification, monitoring and regulation), we can safely say that there is a total discrepancy of data relating to Chinese private enterprises. It consists mainly of migrant labor force and it is composed of SMEs which often avoid the labor union's control and in which the informal sector is well developed. The subscription percentage (up to 95%) is not realistic and therefore, probably, this error can be traced precisely to the difficulty of collecting data on internal migrants. To strengthen their power in the country's rural areas, the ACFTU has established several information and advice centers for workers that are registered in the rural areas of the country and at the statistical level they are members of the labor union (although they should be considered as mere customers. As we can see in Table 3, in the matter of small firms the members turn out to be 9.8%)<sup>81</sup>. Thus, taking into account the total workforce (450 million workers) and subtracting the percentage of migrant workers (corresponding to about 150 million people), we will have a more realistic rate of subscription equal to 30-35% (Traub-Merz, 2011). Although rates remain very high, these numbers were not significant in the face of real union activities in support of the workers. The ACFTU, despite the discontent of the enterprises and institutions, is not considered as a threat within the private sector:

---

<sup>80</sup> Foreign companies (Asian and American), as well as institutions (especially Chambers of Commerce, particularly in Europe and America, are the first opponents at the entrance and the rise of power of the Chinese labor union in the private sector and they extremely disagreed with the wage increases for Chinese workers.

<sup>81</sup> But the truth, quite different, is that migrants are being victimized by a system that does not protect them and they often have to accept bad working conditions without even being able to sign any contract and often changing company and job.

because of its inextricable bond to the CCP, the labor union has as its ultimate purpose the social stability and certainly does not set its sight on the creation of possible conflicts that may create tensions within companies which, fully aware, agree to its entrance but limiting the field of action. Company management's supremacy has an impact not only on workers, who get minor benefits, but especially on the labor union, which often finds himself in the position of being forced to reach a compromise<sup>82</sup>. In addition to this, there are many conflicts of interest relating to the election of union representatives, which often turn out to be managers or even CEOs in the companies themselves or CCP leaders not elected but appointed directly by the provincial offices of the labor union itself<sup>83</sup>.

### **2.3 Trade Union role and labor issues**

Although the relevance of the issue about how economic transformation is influencing changes in the nature and quality of work, the employment conditions, the nature and quality of labor-management relations, the strategies of workers as well as unions and labor activist organizations (NGOs) there is a scarce literature especially in English. The limited researches in this area (Chan, 1998, 2001, 2003; Pieke, 1999; Zhang, 2002; Zhao, 2003; Yao, 2001) is striking given current developments, particularly the growth of informal employment and labor militancy (there has been a very large number of work stoppages and strikes during the last few years). Nevertheless, as both changes in work and labor issues rapidly gain center stage in China, there is increased scholarly interest, particularly visible in the development of labor related research networks consisting of both foreign and Chinese scholars in collective bargaining processes and labor-related issues.

In matter of the process of collective bargaining, laws are still contradictory but we can consider the Labor Code (1994) as a basic instrument in this process. Although formally there were some progress, such as the adoption of a collective agreement at the district level and not only within the enterprise, the freedom given to employers, who can

---

<sup>82</sup> In the face of a subscription, an employer can force the labor union to agree to not step in some issues, or it can receive a discount on the payment of the salaries of workers.

<sup>83</sup> On this front, there are the first signs of change: the Taiwanese company Foxconn, supplier to Apple and famous because of many Chinese employees' suicides in recent years (still unknown the causes of this phenomenon), allowed its workers to elect their own union representative (news reported on daily newspaper 'Repubblica' February 4<sup>th</sup>, 2013).

arbitrarily decide to not adopt these measures (Huang 2010), causes the efforts of the labor union to be useless (table 3).

**Table 3: Wage Negotiation system (2002-2007)**

	2002	2007
Companies adhering to labor union	930,965	1,323,965
Companies with “wage negotiation system”	135,33	622,06
% of companies with WNS	14.5%	47.0%
% of companies without WNS	86.5%	53%
N. of people adhering to labor union	133,977,709	169,942,111
Staff and workers covered by WNS	27,404,001	39,685,737
% of people adhering to labor union covered by WNS	20.5%	23.4%

Source: Chinese Trade Unions Statistics Yearbook (2003: 112, Table 3.33; 2008: 108: Table 3.29)

Looking at the data, apparently positive, we can see immediately as much as 80% of adhering companies do not enter into the merits of any salary negotiation. Given the lack of reports about it, we can meditate on the labor union’s activities by consulting some independent and comparative research on adhering and non-adhering companies: according Lee and Liu’s estimates (2010) there are no particular differences between the two categories, neither in the matter of the wage nor in matter of working conditions, precisely because of the strong top-down management within companies themselves.

If the labor union has formally launched initiatives to raise awareness about the rights of workers, compiling reports, drawing up statistics and becoming an important *lobbying* player in the *conflict resolution* activities, by imposing the signing of a written contract and basic working conditions, sometimes these good intentions remain only on paper and the reality turns out to be different (Zenglein, 2008). According to Traub- Merz’s analysis (2011), in order to guarantee greater efficiency and protection to workers, various measures could be taken into account, for example the separation between corporate management and the labor union, a greater regulation of the election process of the union representatives within the companies and a strengthening of the collective bargaining process. Since it is not possible to exclude the socio-political context and

tracing the evolution of the labor market in China, we tried to do an analysis as objective as possible. Certainly some steps have been made, although the road ahead still remains long and complex.

Key issues related to labor market open several debates on its future development: what factors might increase the bargaining power and voice of Chinese workers?

Kuruvilla, Gallagher and Lee (2011) hypothesize that the shortage of workers—a function of decline in working population resulting from the one child policy and institutional discrimination against migrants as a result of the *hukou* system will increase both wages and voice.

There is some institutional pressure, for increased collective bargaining (especially in Guangdong), and some form of *hukou* reform. These efforts may serve to further increase the bargaining power of workers, as might the efforts of non-state actors such as labour NGOs and other groups. However, labor rights, mainly for Chinese floating population and different implementation of Labor law among Chinese provinces make the situation much more difficult and complicated to monitor and comprehend.

The main issues are related to the implementation of Labor contract Law, development of private sector, discrimination among workers and related public unrest.

Legislative reforms are still incomplete, unclear and informal sector still play an important role into Chinese labor market.

In order to ensure a balanced development avoiding public unrest and improving workers' conditions, issues related to contract signature, labor exploitation and safety should be the top priority of Chinese officials in the near future.



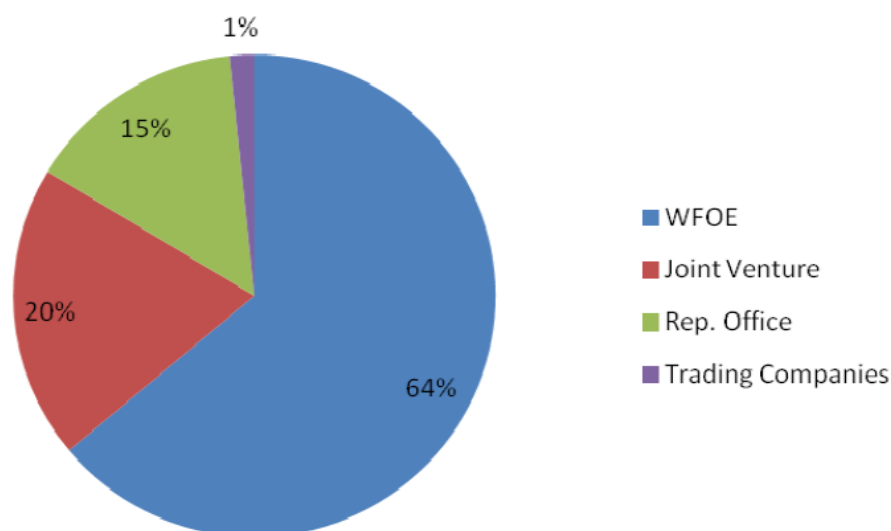
### 3. Case study on FDI in Jiangsu province

#### 3.1 Field research: methodology and sample selected

Considering the characteristics and the geographical width of Jiangsu Province, fragmentation and heterogeneity of its industrial fabric, as well as the difficulties associated with finding and access to data on Italian companies, we decided to rely on different sources to be able to have the most complete information on companies. The starting point was the database (updated to 2012) provided by the ICE in Shanghai: however it proved to be incomplete because of the voluntary subscription of Italian SMEs.

Thanks to the support of Nanjing's labor union JFTU and the important help of the GM of individual firms, we were able to obtain a wider and supplementary list, on which we based our analysis. SMEs in this province consists mainly of *Wholly Foreign Owned Companies* (WFOE), followed by *Joint Venture* (JV), representative offices and, to a lesser extent, trading companies. The main reference sectors are: electronic, automobile, mechanical and equipment.

**Figure 7: Type of Italian SMEs in Jiangsu province (2012)**



Source: based on ICE and JFTU's data (2012)

The list that we wrote up is composed of 114 companies: 60 from the list of ICE

Shanghai, 49 from the list of the labor union JFTU and 5 from personal contacts. After contacting by e-mail and by phone each companies, 24 (about 1/5 of companies) positively responded and agreed to participate in our research.

**Table 5: Companies sample**

<b>Chinese subsidiary</b>	<b>Type of product</b>	<b>Headquarters in Italy</b>	<b>Year of establishment in China</b>
Nexion Machinery Equipment Manufacturing (Suzhou)Co. Ltd	Supply equipment for vehicle assistance	NEXION spa, Corregio (RE)	2009
Changshu Ritmo Welding Co, Ltd	Production of welding machines for plastic	RITMO SPA, Teolo, (PD)	2007
Radici Plastics (Suzhou) Co., Ltd	Production and sale of plastic (nylons and PBT)	RADICINOVA Chignolo d'Isola (BG)	2006
Suzhou IMEAS Machinery Co. Ltd	Sandblasting machineries	IMEAS SPA, Villa Cortese, (MI)	2002
Filpucci (Zhangjiagang) Special Textiles Products Co., Ltd.	Fancy yarn	FILPUCCI Spa, Campi Bisenzio (FI)	2005
Soilmec (Wujiang) Machinery Co.,Ltd.	Equipment and facilities production for deep groundwork	SOLIMEC S.P.A. Cesena (FC)	2009
Rostoni Macchine SPA	Textile machineries	ROSTONI MACCHINE Spa, Vanzaghella (MI)	2012
Coveme Engineered Films Zhangjiagang. Co., Ltd	Polyester components, various uses	COVEME Spa, Bologna	2010
Cesare Bonetti spa - in China : Bonetti Suzhou co ltd	Valves production	CESARE BONETTI Spa, Garbagnate Milanese (MI)	2004
System China	Equipment for the ceramic industry	SYSTEM SPA - Modena	2000
Marchesi Suzhou	Aluminum and magnesium, electromechanical components, components for telecommunications	MARCHESI Spa, Tione (TN)	2005
EDT Diecasting Technology (Suzhou) Co., Ltd.	Zinc and aluminum components	BRUSCHI Spa., Abbiategrasso (MI)	2005

Magneti Marelli (China) Holding	Design, development, production, sales of automotive components and systems for Chinese automotive industry	MAGNETI MARELLI SpA, Corbetta, Milano	
SessaKlein Railway Components (Suzhou) Co., Ltd.	Purchasing, quality control, project management and sales of components for windows and interiors	SESSAKLEIN S.p.A. Castronno (VA)	2011
Armonia Furniture Ltd.	Furniture and children's products	FOPPAPEDRETTI spa, Grumello al Monte (BG)	2006
Suzhou Aicheng consulting Co., ltd	Consulting, international management		2012
Zamperla Amusement Rides (Suzhou) Co., Ltd.	Amusement park rides production	ANTONIO ZAMPERLA S.p.A. Altavilla Vicentina	2006
Sabaf appliance components, Kunshan	Valves production for appliances	SABAF Spa, Ospitaletto BS	1998
Newa Electrical manufacturing Suzhou	Pumps production	NEWA TECNO INDUSTRIA Srl, Padova	2010
SIT manufacturing (Suzhou) Co.,Ltd	Valves production	SIT Spa, Cusago Milano	
Giuliano Automotive Equipment, Suzhou	Automotive equipment	GIULIANO GROUP Spa, Corregio (RE)	2010
Ocap Chassis Parts, Kunshan	Steering and suspension production	OCAP spa, Valperga (TO)	2008
Marchesi precision Tech	Garden products	MARCHESI, Tione (Tn)	2007
Piovan Suzhou	Auxiliary devices for plastic industry	PIOVAN Spa, Santa Maria di Sala, (Ve)	2004

The methodology that we chose for analysis of this sample is the in-deep interview; specifically we two different questionnaires (in Italian and Mandarin Chinese) have been developed together with the Chinese labor union . The first one, consisting of an ad hoc questionnaire with questions about companies, allowed us to draw up an economic profile of the companies, as well as information relating to the marketing decisions on the internationalization process and, from the point of view of employees, data about contract typology and subscription to Chinese labor union. Given the

complexity of reaching the companies, the questionnaire was completed online<sup>84</sup>. Based on the obtained results, we selected the companies belonging to the labor union (5 of 24), who then interviewed, using an ad hoc questionnaire in Chinese, 217 workers in these companies, allowing us later to draw up a profile of those employees with data relating to the performed tasks, duration, typology and working hours.

The difficult access to data and the initial distrust of the contacted companies and the labor union itself, did not allow us to gather information relating to work conditions, considered too confidential. Due to all these limitations, data collected on workers are incomplete and represent a limited part of Chinese typology of workers.

### 3.2 Italian FDI's profile in China

In 2011 global FDI in China reached 116 billion USD, an increase of 9.7% compared to 2010. Hong Kong is still in first place among investor countries, with 70.5 billion USD (60.7% of the total), followed by Virgin Islands (USD 9.7 billion), Japan (6.3) Singapore (6.1), South Korea (2.5) United States (2.4), Cayman Islands (2.2) and Taiwan (2.2). With regard to Italy, in 2011 FDI's flows to China reached 387 million USD. Italy has dropped to 21<sup>th</sup> place in the world (it was 16<sup>th</sup> in 2010) and it has the 6th place among the EU countries (it was 5th in 2010). During the period January-September 2012 there was a stream of Italian FDI equal to 191 million USD (ICE, 2012).

**Table 4: Italian FDI Stock in China 2010 (mln euros)**

<b>Mining industry</b>	4
<b>Manufacturing industry</b>	2,837
<i>Food</i>	49
<i>Textiles, clothing, wood, paper</i>	228
<i>Pharmaceutical, chemicals, minerals</i>	431
<i>Metallurgical and machinery</i>	1,281
<i>Transportation</i>	365
<i>Electronics, Electrical machinery and other</i>	484

<sup>84</sup> GM has been guaranteed anonymity and all of their personal data, as well as those related to the single questionnaires, will not be reported in the next report. In order to better understand the reference context, we have included the names of the companies involved in this research but, all analysis on companies and workers, were reported at aggregate level.

<b>Electricity, gas, water</b>	17
<b>Construction industry</b>	7
<b>Tertiary industry</b>	3,407
<i>Trade</i>	340
<i>Transport and communications</i>	21
<i>Hotels and restaurants</i>	4
<i>Financial intermediation and insurance</i>	1,719
<i>Other services</i>	1,323
<b>Total</b>	6,271

Source: Bank of Italy annual report, 2011

At the sector level, the manufacturing sector is the majority, with a share of 45%: in particular, we have metallurgy and mechanical sector (1.281 billion euros), electrical machineries (484 million), chemical-pharmaceutical industry (431 million), trade (340 million) and textiles and clothing (228 million). Within it traditional sectors of *Made in Italy* are prevalent and, in particular, the most labor-intensive (footwear, furniture and clothing) and mechanics. The third sector grows increasingly growing, representing 55% of Italian FDI in the country. From the investor's point of view, the role of large companies is still dominant though, compared to a few years ago, SMEs are starting to get through and to acquire greater importance in the internationalization process in China: in confirmation of this, about 58 % of Italian investments in the country is now due to investors with less than 500 employees in Italy (ICE, 2012). In the other hand regarding the investment forms, the choice is very often on the opening of a representative office, which guarantees investors less risks and a low initial investment. Then, in order of choice, there are *trading companies*, *showrooms* and *joint ventures*.

Despite the growing importance of China in international markets and itself as the end market for foreign products, the presence of Italian companies in the country is still fragmented and the Italian system has not a uniform strategy in China.

By analyzing the Italian Foreign Trade Commission (ICE)'s data on a national basis, China is still perceived as a "factory" of the world: there is a match between imports and exports at the sectorial level and this points out that many companies are using the most low-cost labor to complete the production of end products that will be sold at a later stage to other foreign markets.

From the economic point of view, Jiangsu province's GDP had a positive trend and ranks among the highest ones among the provinces (4,14255 trillion RMB in 2010), second only to Guangdong.

rate in urban areas in 2010 was 3.16%, a very slight decrease compared to 2009, when it was 3.22% (ICE,2012)<sup>85</sup>.

In the study of labor-related issues and Italian FDI in China, Jiangsu province represents a very interesting case.

The rural population's migration to urban centers still continues but at a slower pace. In 1990, 78.5% of the population was living in rural areas and 21.5% in urban areas. In 2010, 60.2% of the population, more than half, resides in urban areas and the remaining 39.8% in rural areas. (ICE, 2012) In 2010, the total number of employed was of 47.55 million people (+0.6% compared to 2009), of which 22.3% in the primary sector (steadily declining), 42.0% in the secondary sector (in growth compared to 2009) and 35.7% in the tertiary sector (+1.4% compared to 2009). The unemployment rate in urban areas in 2010 was 3.16%, a very slight decrease compared to 2009, when it was 3.22% (ICE,2012).

Jiangsu represent the most preferred investment destination for Italian companies in China (ICE, 2012). Out of the total foreign investment in this province, Italy came twelfth with a total investment of 293 million USD (+82% compared to 2010).

Jiangsu-Italy imports and exports had an increasing trend from 2000 to 2011 and a surplus, reaching a total of 3,74 billion USD<sup>86</sup>.

---

<sup>85</sup> Compared to 2009, it had an increase of 20% and at national level it reached 10.3% of GDP of the entire country. At the sector level, it is composed as follows: the primary sector involves only 6.1% (6.3% of GDP in the industry of the entire country), secondary 52.5% (11.6%) and tertiary 41.4% (9.9%). These data show at once the importance and development of the province's industrial fabric: in 2010 the GDP of the secondary sector was 2.17539 trillion RMB, up to 17.2% compared to 2009. The production's gross value of the industrial sector in 2010 got a state at 9.205 billion RMB (+25.8% compared to 2009), equal to 13.2% of the national one (ICE, 2012). The six pillars of industry in Jiangsu are: machinery, electronics, textiles, light industry, petrochemical and metallurgical industry. The provincial government greatly focused on the development of high-tech industries and improvement of manufacturing industries. Its added value was of 1.927 trillion RMB, an increase of 17.1% compared to 2009. The total number of industrial enterprises is 64,136, including 346 companies of the State (State-Owned Enterprise) and 43,738 private enterprises. The industrial sector has 58,763 small enterprises, 4,874 medium-sized enterprises and 499 large enterprise.

<sup>86</sup> Imports, which reached 1.23 billion USD, are composed mainly from machinery (with a value of 662 million USD), followed by electrical machinery (117 million USD) and inorganic chemicals (70.1 million USD). With a lower percentage but still significant, there are medical and optical instruments (down from the previous year), plastic (+ 30.6%), mineral fuels (significantly growing with a +327.5%) and leather (with a value of 33.6 million USD).

## 4. Main results

### 4.1 Firm's profile

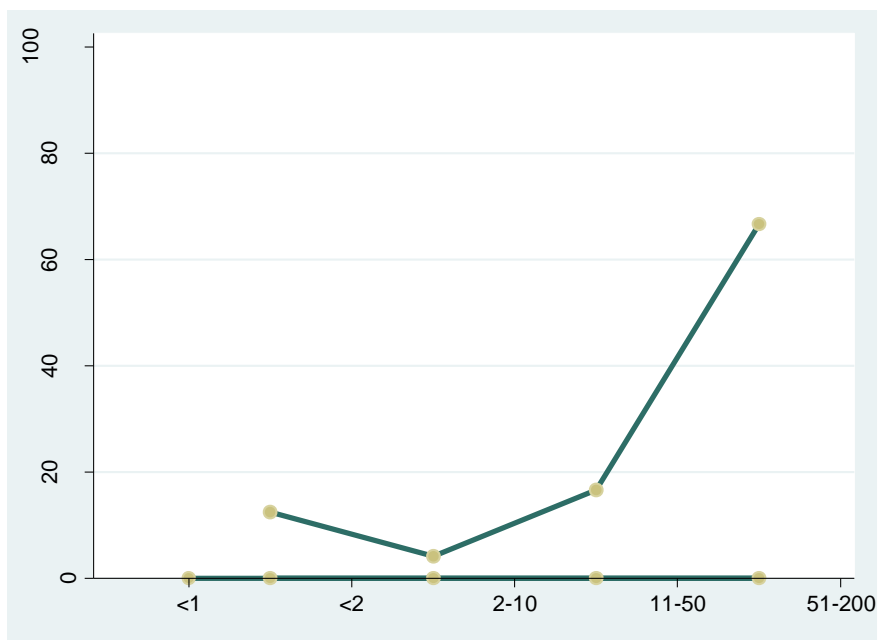
The companies involved were heterogeneous, by sector and size, but we can still find some common points, which allow us to understand what are the characteristics and peculiarities of Italian companies that have decided to internationalize themselves in Jiangsu province. They are mainly located between the areas of Suzhou and Zhangjiagang, which represent two important industrial districts within this province. The main areas of production include: medical and automotive equipment, furniture, metal parts and machineries (for auto repair and plastic processing), nylon, plastic and yarn. From the legal point of view, the Italian companies in Jiangsu province are respectively: trading companies (3.8%), JV (7.6%) and WFOE (88.45%). Italian firms mainly SMEs in this province have different sizes and they have a number of global employees that varies considerably. We notice that there are companies that, in the majority (17 of 27), are medium – large<sup>87</sup> in Italy and have a variable number of employees, from 400 to more than 1,000 (37%); the remaining sample declared to have an overall number of employees less than 20 (7.5%), between 21 and 100 (14.9%), between 101 and 200 (18.4%), between 201 and 400 (14.8%) and over the 1000 (7.4%). Further confirmation comes from data on the total turnover in 2011. By analyzing their presence in foreign markets (excluding PRC), 57% of surveyed companies appears to have a subsidiary in another country. In addition, by allocating their turnover in 2011, in Figure 8 we can see that, in 36.2% of cases, more than half of that is generated abroad.

---

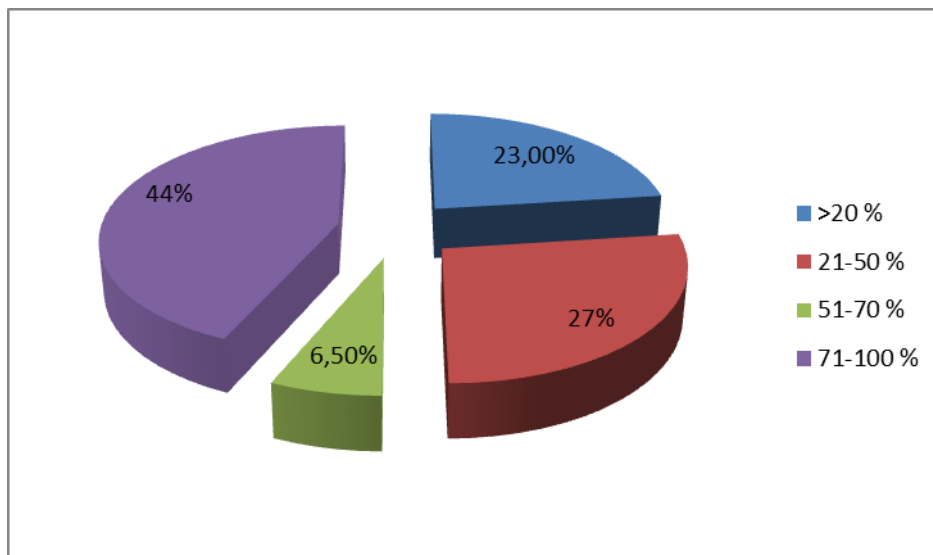
<sup>87</sup> 74% of the surveyed companies is part of a group.

The definition of SMEs in China and in Italy is different. The new guidelines base on the number of employees, revenue and total assets of enterprises. The SME definition in China is quite complex. Such as the specific criteria about the total assets of enterprises in industrial sector, including mining, manufacturing, electric power, gas, water production and supply and construction. However, in the industries like transportation, wholesale and retail business, and hotels and restaurants, there is no assets requirement. Guidelines for the industrial sector requires SMEs to employ a maximum 2,000 people, and to have an annual revenue not exceeding RMB300 million. Their total assets should not exceed RMB 400 million.

**Figure 8: Companies Total Turnover 2011 (millions of euro)**



**Figure 9: % of foreign/total turnover (2011)**

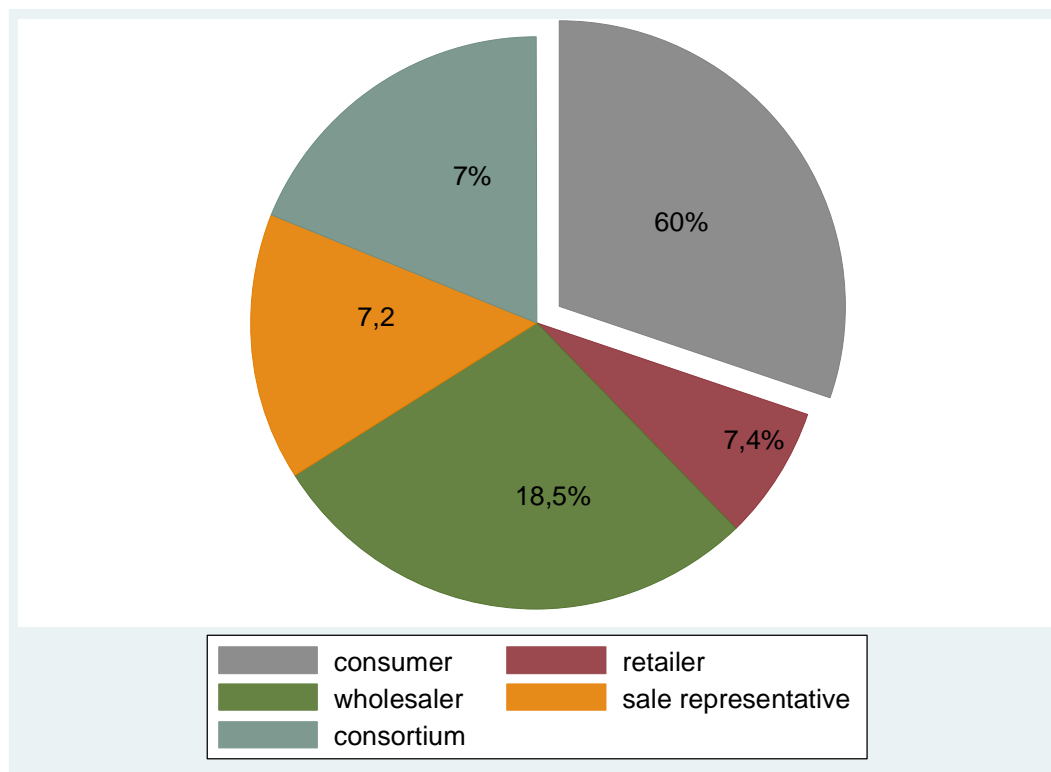


Referring specifically to China, the turnover is composed of: 40% of companies declared invoice value between 2 and 10 million euro, 24% between 11 and 20 million euro, 4% more than the 50 million euro and the remaining 32 % within 2 million. Focusing on the company's presence in China, we asked each GM to indicate, through a



multiple-choice, what were the determining factors<sup>88</sup> for the entry and the opening of a subsidiary in the PRC. Know-how, brand recognition and corporate vision prove to be amongst the FCS on the Chinese market. To a lesser extent, but still significant, the *entrepreneurship* is particularly important. Turning to marketing strategies and sales, the end market appears to be mainly the domestic one (57.14%) and international (39.2%). The remaining 3.5% said that they sell their products on the Italian market. The main distribution channels, as we can see in Figure 10, for the most part are directed to the end consumer (60%), despite a significant percentage passes through wholesalers (18.5%), followed then by the retail trade (7,4%) and, to a lesser extent, the employment of agents / representatives and associations of companies.

**Figure 10: Sales channels**



As for the staff employed by the Chinese subsidiaries, the number is variable: 11 companies claim to have between 11 and 50 employees, 5 between 1 and 10, 5 between 51 and 100. Of these, on average there are 7 Italian employees.

<sup>88</sup> The possible answers included factors such as: vision, brand, know-how, entrepreneurship, international experience, financial resources, personal relationships or relationships with the Chinese Government.

As for the contracts, we asked for companies to indicate the number of concluded contracts divided by typology: the contractual form that proves to be the most common is the long-term (78.5%), followed by short-term (53.5%) and permanent (39.3%).

From the labor union's point of view, only 5 companies are participating in the JFTU and they have some similar characteristics, namely:

- total *turnover* > 10 mln euros
- foreign *turnover* > 80%
- of which in China > 2 mln euros
- number of employees > 40
- domestic sales market

#### **4.2 Focus on employees: profile and type of contract**

After the selection of the companies adhering to the labor union, we have developed a multiple-choice questionnaire (in Chinese language) to submit to each worker.

The reference sample is 217 people, selected in 5 companies adhering to the labor union, who has personally dealt with this part of the research, with the collaboration of the company representatives of the labor union.

Almost half of the interviewed workers (49.5%) belong to the age group 30-39, 40.6% are under 30 years (31.3% in the age group 25-29; 9.3% in the age group 18-24). A small number of workers belong to higher age groups (8, 4% in the age group 40- 49; less than 2% is over 50).

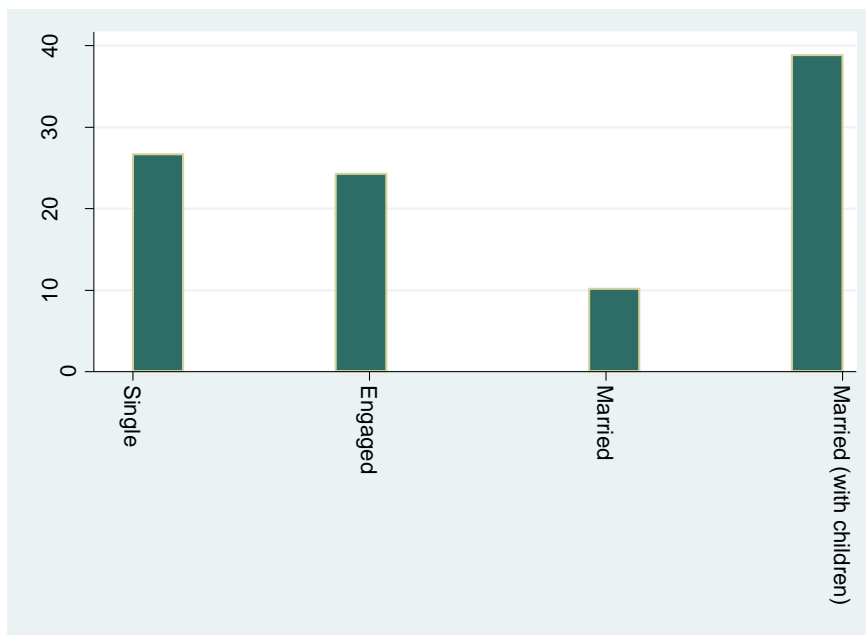
Intuitively, also the situation relating to the worker's civil status prove to be quite homogeneous: 18.6% said they were single, 6% engaged, 10.2% married and 64.5% married with children.

Regarding the interviewed people's gender, unfortunately we have just the aggregate data: 1/5 of the workers who participated in the research is a woman.

It would have been useful to have the single data for an in-depth analysis on the differences, if any, between the two categories. This is not the case but, according to some research of Pun (2005) and Li (2004), since the labor market (mainly relative to migrant labor force) is very competitive, employers generally choose to hire women

workers, since they are cheaper and more meek.

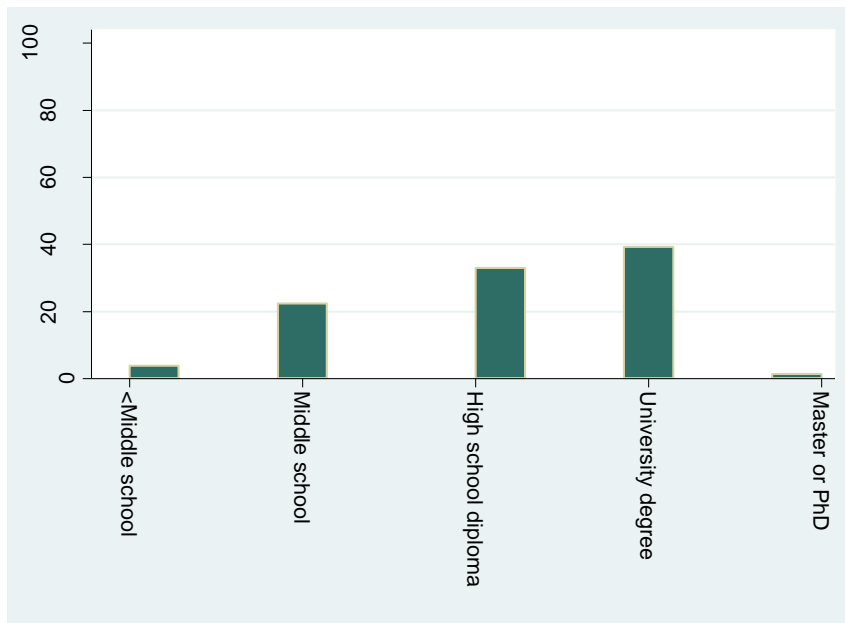
**Figure 11: Marital Status**



As shown in Figure 12, the interviewed people prove to have the following qualifications:

- Lower than the middle school qualification: 3,74%
- Middle school qualification: 22.90%
- High school diploma: 33.18%
- Bachelor's degree: 38.79%
- Master or PhD: 1.40 %

**Figure 12: Educational qualification (%)**

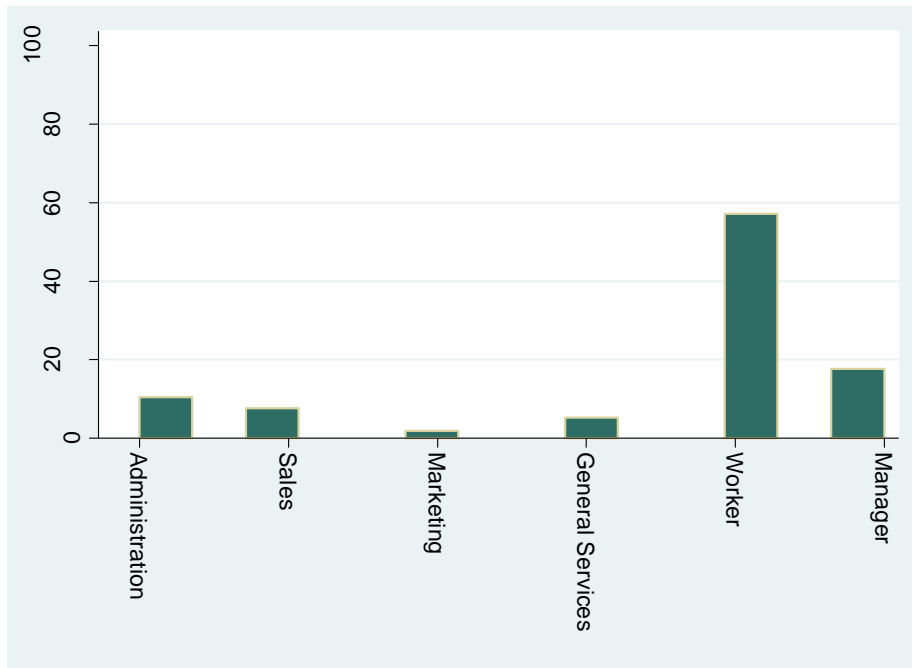


Given the economic and industrial development of Jiangsu province, the data on the workers' origin are intuitive: the majority of the interviewee (38.79%) is made up of migrant labor force, with a rural *hukou* registration; that identifies their place of origin in the western provinces of the country, economically less developed. The rest of the sample is divided as follows: Jiangsu urban (3.74%), Jiangsu rural (22.9%) and other province urban (33.18%).

Cross-analysis of the data in the two previous figures highlights the correlation between place of origin and level of education: on the basis of a rural registration, the level of education significantly decreases.

As for the performed task, most interviewees (55.8%) are worker and, to a lesser extent, they are manager (17.21%), administrative employees (10.23%), sales personnel (7.91%), responsible for marketing (3.26%) and generic employee (5.58%).

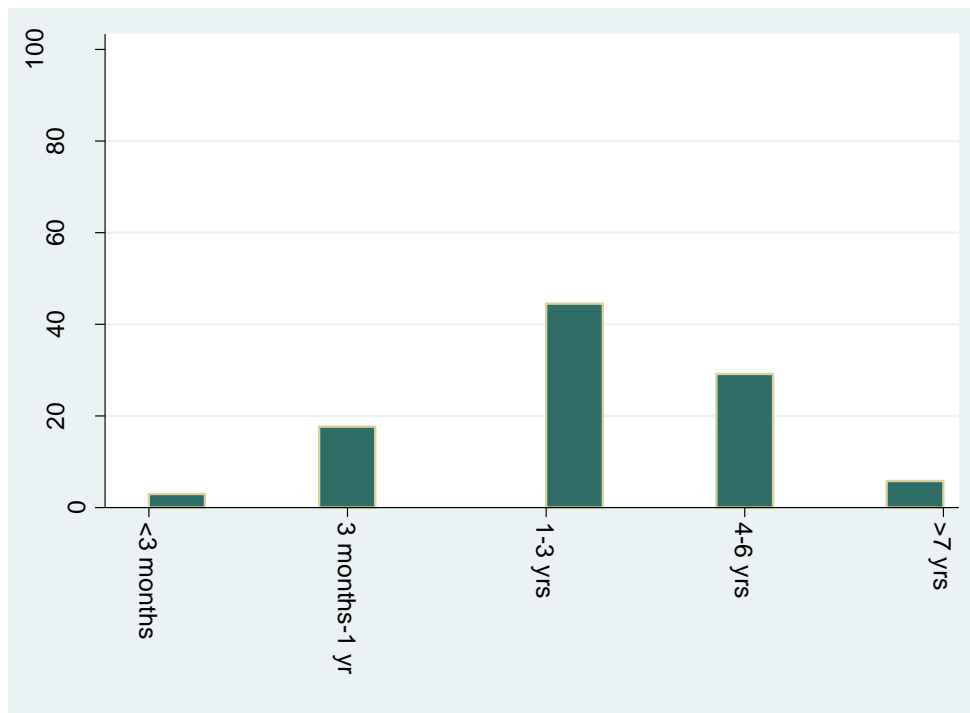
**Figure 13: Type of work (%)**



Even in this case, the *hukou* assumes a certain importance when we analyze it in terms of type of work: most of the interviewed workers are internal migrants (both from other provinces and Jiangsu). On the contrary, managers have an urban *hukou*, but there is a small part (5 of 36) that comes from other provinces. Also for other tasks, the division appears to be clear with a majority of workers with urban registration. In confirmation of this, as we can see in Figure 15, most of workers have a rural *hukou* (the 26.09% coming from the province of Jiangsu and 57.39% from other provinces).

Confirming the data relating to workers' registration, we can observe that most of them do not have a long-lasting contractual relation (more than 7 years) in the companies taken into reference. 65.4% of the interviewees is working for a period of less than 3 years, the remaining percentage more than 4 years. This finding confirms the presence of migrant labor force, as demonstrated by several studies in this regard and as a result of cross-examination of these data with the sample's place of origin, tends to change frequently company and a job in search for wage and working conditions more advantageous.

**Figure 14: Job length**



From the contractual point of view, reference data confirm the usefulness and the work of the labor union JFTU as a guarantor of fundamental rights in the companies adhering to it. It should be noted, however, that the working conditions and the presence of a regular employment contract (which includes most of the insurance covers) must be considered an almost exclusive condition of the foreign and state companies in the country.

The sector of micro Chinese private enterprises (which are those that are beyond the control of the Chinese labor union and which are not easily monitored) is characterized by a strong presence of workers without a formal contract, which are often not guaranteed neither the minimum work conditions nor the minimum wage (which, with the labor Law of 2008, was imposed on companies).

Just to have a job, most of migrants accept these conditions and do not report their employer. However in recent years the situation suffered a slight reversal of the trend, thanks to the work of labor unions (for their consulting job, particularly in rural areas), but also private citizen and NGOs, that help workers to become aware and to claim their rights, leading to countless conflicts and protests across the country (Traub-Merz, 2011). Confirming the data collected from the first phase of question and answer session with GM, 53.7% of all workers prove to have a long-term contract, 42.4% a short-term one,

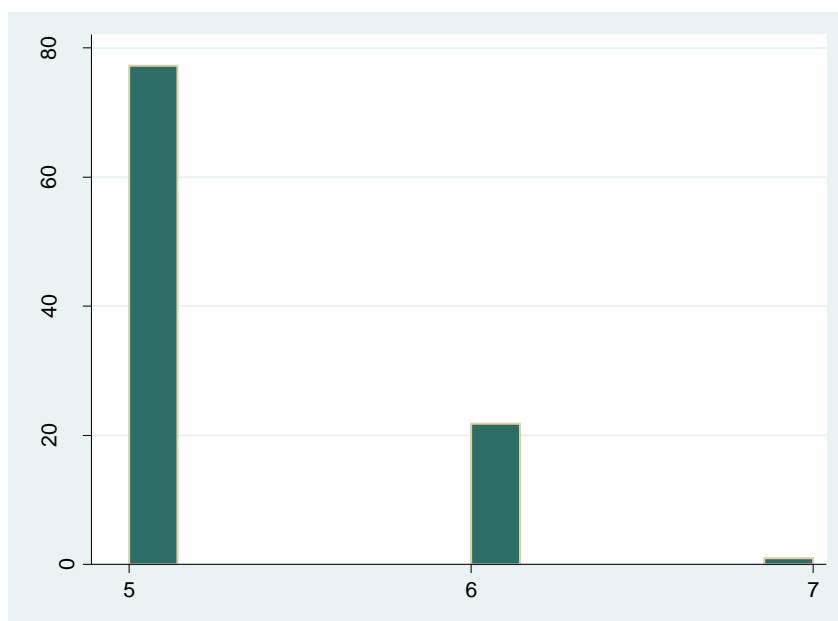
2.36% a project contract and only a small percentage (1.3%) has a seasonal employment contract.

Through a detailed analysis of employment contracts, the data are surprising: in all cases the insurance provisions related to health care, unemployment, maternity, accident, pension and financial assistance for the purchase of a property (housing funds) are provided.

Finally, in Figures 18 and 19, we report data on daily and weekly working time.

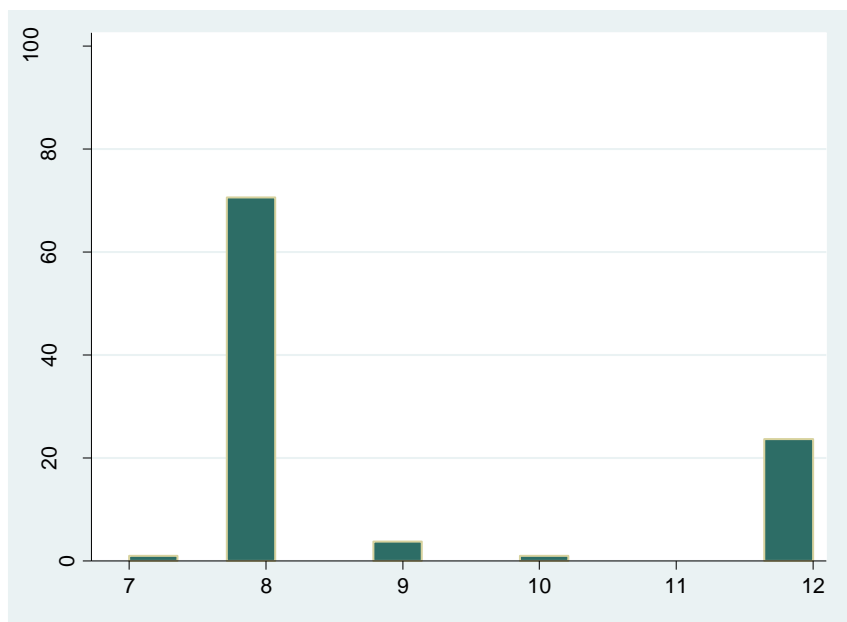
The rest days are as follows: 2 days in 77.3% of cases, 1 day in 29.3% or none in 24.7% of the samples; the daily working time is 8 hours for 71% of the workers, 9 for 3%, 10 for 0.9% and 12 for 24.07%. These data are alarming, especially if we consider the good working conditions of foreign companies. By breaking up the schedule by type of work, we can see that the category of workers is more involved: although most of them (66.67%) work 5 days a week, 36.67% work 12 hours a day<sup>89</sup>.

**Figure 15: Working days / week (%)**

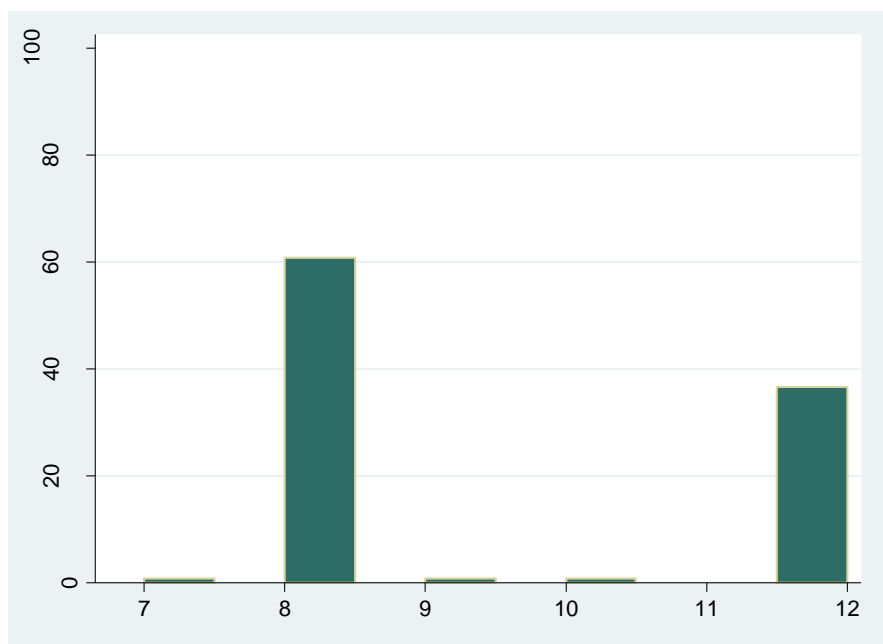


<sup>89</sup> The percentage of employees who work more than 10 hours a day and often without rest periods, Increases considerably in Chinese enterprises.

**Figure 16: Working hours / day (%)**



**Figure 17: Working hours / day, workers**





*BOX 1: Nanjing-Iveco case<sup>90</sup>*

Nanjing-Iveco is an Italian-Chinese joint venture, formed respectively by the Chinese Nanjing Automotive Group Ltd. and Iveco S.P.A. Italy.

The collaboration between the two companies, which began in 1986, is based primarily on the acquisition and exchange of know-how and organizational factors that the Chinese company needs to gain more experience.

On March 1, 1996 began the economic cooperation and the company was registered with a capital of 2 billion and 527 million RMB, with a share equal to 50%.

Today the company has 13 departments, 8 plants and 1 company specializing in the export.

The production includes several models and types of cars (about 860) including trucks, buses, road-building machines and off-road.

The production lines have 5 brands "Iveco" and 5 brands "Nanjing".

The company's financial statements in the past 20 years had always a positive trend.

In 2010 the net profit was 400 million RMB and it became a business model of reference throughout Jiangsu province.

In 2011 the company remained the largest Italian investor.

**Employment situation and labor relations**

In reference to the year 2011, the total number of employees was 7,135 workers of which 4893 (69%) directly employed by the company and 2230 (31%) employed through temporary agency.

Workers employed directly enjoy more rights and a different treatment compared to those employed through temporary agency, particularly in relation to:

- employment contract: insurance (pension, unemployment, accident, maternity) and creation of a housing fund guaranteed to all workers
- wage: gross annual salary amounted to 60,683 RMB (2010), 67,190 RMB (2011, year in which it was expected to increase by 10.7%)

The labor union is currently hard-working to be able to ensure greater treatment equity between the two categories of workers.

Within the company, it operates hierarchically under the guidance of the internal committee of the CCP, organizing various activities, which in recent years have led to the adoption of several regulations related to: administration and management of salaries and wages, behavior of workers, administrative procedures in order to grant "production-based premiums and significant social events social", housing or financial aid for new employees, establishment of the changes in salaries in 2010.

The labor union was able to achieve significant results within the company:

- Company Agreement 2010 to 2012 (overtime, wage increases, illness)
- 2010 wage levels
- Increased rights for women workers

---

<sup>90</sup> In-depth analysis based on the report of Mr. Zhao Kezhong - Head of Delegation of the General Labor Union of Jiangsu Province, on the occasion of a seminary organized in Florence, on 10/22/2011, by the Jiangsu labor union JFTU, CGIL Toscana, Project Development CGIL Toscana, IRES Toscana and Foundation for Research and Innovation at the University of Florence.

## 5. Final remarks

Chinese labor market is very fragmented, heterogeneous and difficult to be inscribed in precise categories that can fit for the entire country.

The administrative and fiscal independence of each province had also a strong impact on the work, which is otherwise regulated and managed. In view of these divergent rules and laws we have tried, in the first section of this report, to provide a clear overview on economic reforms implemented since Deng Xiaoping's opening process, defining a clear frame of reference in order to understand the complex dynamics in the country. Specifically referring to the work done, as well as a historical and legislative framework of the most important implemented reforms and the analysis of the role and functions of the Chinese labor union, we tried to provide the reader with the tools to understand what are today the most common problems and challenges that the government and the labor union will have to face in the coming years.

In the first part of the paper, it is underlined that the labor conditions in China are not simple at all; the role of the Trade Union is taken into consideration.

The case study intended to provide some data on Italian FDI in the area.

Following the interviews in each firm encouraging data emerged (especially at the level of bargaining coverage and social security), even if there are discriminations against the migrant labor force, especially in terms of working hours<sup>91</sup>.

The research adds valuable information on the presence of Italian companies in China and specifically in the province of Jiangsu.

The basic working conditions are quite good, confirming previous literature: it is well-known that European and American foreign firms report better working conditions than other companies (e.g Taiwanese) , private micro Chinese enterprises and state-owned companies (SOEs) .

The Chinese trade union, while supporting our research, did not allow us to perform a more detailed survey.

Although the data confirm the importance of the labor union as a guarantor of the minimum rights of workers, on the other hand we also notice a slight difference between the companies that join it or not: the latter appear to have good labor standards

---

<sup>91</sup> Probably these appear in salary, but we have no data available.

and they ensure a regular contract to its employees. Foreign firms in China unlikely avoid the control of the law and is therefore quite difficult to not respect the rules in force; for this reason there is not so much discrepancy between the two categories.

Although significant steps forward have been made, especially in terms of wages and conditions of contract, the country needs a focused monitoring and cross strategy at the provincial level, involving the entire Chinese industry. Certainly the diversity and geographical width of the country appear to be two complex and important factors, but the labor union, since it is rooted in the territory, could make use of its provincial offices to start a series of tough measures against all companies.

The country has gone through a period of sudden and radical reforms and it will take many years to be able to create a unified and well-regulated labor market; open issues are related to the implementation of Labor contract Law, development of private sector, discrimination among workers and related public unrest. Legislative reforms are still incomplete, unclear and informal sector still play an important role into Chinese labor market.

In order to ensure a balanced development avoiding public unrest and improving workers' conditions, issues related to contract signature, labor exploitation and safety should be the top priority of Chinese officials in the near future.

## References

- ACFTU, 2008a. "Constitution of the Chinese Trade Unions" (Amendment).
- ACFTU, 2008b. "Special report: 15 sets of data confirm the success of Chinese trade unions in organizing a harmonious society" [online] <http://acftu.people.com.cn/GB/67560/8184190.html> (10/16/ 2008)
- Amighini A., Chiarlone S., 2004. Cina, *Rivista di Politica Economica*
- Appelbaum P., Bonacich E., Quan. K., 2005. The End of Apparel Quotas: A Faster Race to the Bottom?, Center for Global Studies
- Biggeri M., 2003. Key Factors of Recent Chinese Provincial Economic Growth, *Journal of Chinese Economics and Business Studies*
- Biggeri M., 2007. China in perspective: from economic 'miracle' to human development?, *Globalization and Development: a Handbook of New Perspective*
- Biggeri M., Gambelli D., 2008. I fattori chiave della crescita economica in Cina: uno studio a livello regionale, *Studi e Note di Economia*, Anno XIII
- Biggeri M., Hirsch G., 2008. L'altra Cina, *Studi e Note di Economia* Anno XIII, n. 2
- Biggeri M., Sanfilippo M., 2009. Understanding China's move into Africa: an empirical analysis, *Journal of Chinese Economic and Business Studies*
- Cai F., Du Y. e Wang M., 2009. Migration and Labor Mobility in China, Human Development Research Paper, UNDP
- Cai F., 2008. Approaching a triumphal span: how far is China towards it Lewisian turning point?, WIDER Research Paper, February
- Cai F. e Wang M., 2008. A counterfactual of unlimited surplus labor in rural China, *China and the World Economy*.
- Cai, F., Du Y. e Wang M., 2005. How Far is China to A Labor Market? (zhongguo laodongli shichang zhuanxing yu fayu), Beijing: China Commerce Press.
- Cai, F. e Wang M., 2004. Irregular Employment and the Growth of the Labor Market: An Explanation of Employment Growth in China's Cities and Towns, *The Chinese Economy*
- Cai, F., Du Y. e Wang M., 2003. The Political Economy of Labor Migration, Shanghai: Shanghai Sanlian Bookstore, Shanghai People's Press.
- Cai F. e Du Y., 2000. The Convergence and Divergence of Regional Economic Growth in China--- The Implications to Western Development Strategy, *Journal of Economic Research (Jingji Yanjiu)*
- Cai, F. e Wang D., 1999. The Sustainability of Economic Growth and the Labor Contribution, *Journal of Economic Research (Jingji Yanjiu)*
- Cao Y., Qian Y. e Weingast B., 1997. From Federalism, Chinese Style, to Privatization, Chinese Style, Stanford Economics Working Paper
- Chan A., 1998, "Labor Standards and Human Rights: The Case of Chinese Workers Under Market Socialism", *Human Rights Quarterly*, Vol.20, n.4, pp.886-904.

- Chan K.W. e Li Z., 1999. The Hukou System and Rural-urban Migration in China: Processes and Changes, *The China Quarterly*
- Chan A., 2001, China's workers under assault: the exploitation of labor in a Globalizing Economy, New York and London, M.E.Sharpe.
- Chan A., 2002, Labor in Waiting: The International Trade Union Movement and China, *New Labor Forum*, Fall/Winter 2002, pp. 54–59.
- Chan A., 2003, Globalization and China's 'Race to the Bottom' in Labor Standards, *China Perspectives*, n.46, March-April 2003, pp.41-50.
- Cai F., 2000, "The Invisible Hand and Visible Feet: Internal Migration in China", *World Economy and China*, n.5.
- Chen G. e Hanori S., 2009. Solution to the dilemma of the migrant labor China's WTO entry: evidence from household-level data in R. Garnaut and Song Ligang (eds), *China: Linking Markets for Growth*, Canberra
- Du Y. e Pan W., 2009. Minimum wage regulation in China and its application to migrant workers in the urban labor market, *China and World Economy*
- Epstein E., 2010. China's New Labor Contract Law, Overview and Recommended Action Steps for Employers, Troutman Saunders
- Gallagher M. E, Ching K. L., Kuruvilla S.. 2011. "Introduction and Argument." In *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*, eds. Mary E Gallagher, Ching Kwan Lee, and Sarosh Kuruvilla. Ithaca: ILR Press.
- Huang R., 2010. Characteristics of collective wage bargaining in China and the practical role of trade unions. In: Rudolf Traub-Merz and Zhang Junhua (eds), *Comparative Industrial Relations: China, South-Korea and Germany/Europe*. Beijing: China Social Sciences Press
- Istituto Italiano per il Commercio Estero (I.C.E.), 2012. Analisi delle esportazioni settoriali e degli investimenti diretti italiani in Cina, ICE Shanghai
- Istituto Italiano per il Commercio Estero (I.C.E), 2012. Profilo Economico Provincia Jiangsu, ICE Shanghai
- Islam, Nazrul and Kazuhiko Yokota, 2008. Lewis growth model and China's industrialization, *Asian Economic Journal*, 22, 4: 359-96.
- Kerckhoff A., 1995. Institutional Arrangements and Stratification Processes in Industrial Societies, *Annual Review of Sociology*, 15:323-47
- Lan T., Pickles J., 2011. China's New Labor Contract Law: State Regulation and Worker Rights in Global Production Networks, University of North Carolina
- Labor Law, 1994. Labour Law of the People's Republic of China (adopted at the Eighth Meeting of the Standing Committee of the Eighth National People's Congress on 5 July 1994, promulgated by Order No. 28 of the President of the People's Republic of China, and effective as of 1 January 1995).
- Labor Contract Law, 2008. Labour Contract Law of the People's Republic of China (adopted at the 28th Meeting of the Standing Committee of the Tenth National People's Congress on 29 June 2007)

- Lee L, 1986. Trade Unions in China 1949 to the Present, Singapore University Press
- Lee, Changhee and Liu Mingwei, 2010. Collective bargaining in transition: measuring the effects of collective voice in China. In: Susan Hayter (ed.), The role of collective bargaining in the global economy: negotiating for social justice. Cheltenham: Edward Elgar
- Lester R., 1941. "Economics of Labor", MacMillan
- Lemoine F., Ünal-Kesenci D., 2003. China in the International Segmentation of Production Processes, CEPII, Working Paper
- Lewis A., 1958. Unlimited Labor: Further Notes, The Manchester School of Economics and Social Studies, Vol.26, No.1, January, pp.1-32
- Li, B., 2004. Urban Social Exclusion in Transitional China, LSE Centre for Analysis of Social Exclusion paper, n. 82
- Lin, Y.J., 1992. Rural Reforms and Agricultural Growth in China, The American Economic Review
- Lin, J. Y., Cai F., Zhou L. 1998. Competition, Policy Burdens, and State-Owned Enterprise Reform The American Economic Review
- Meng, X., 2000. Labor Market Reform in China, Cambridge University Press, Cambridge
- Ngok K., 2008. The changes of Chinese labor policy and labor legislation in the context of market transition, International Labour and Working-Class history, Spring.
- Pieke F., Mallee H. (eds.), 1999. Internal and International Migration: Chinese Perspectives, London
- Pisacane G., 2009. Manuale operativo di diritto commerciale cinese, Greatway Advisory Ltd
- Pun N., 2005. A New Practice of Labor Organizing: Community-based Organization of Migrant Women Workers in South China, Paper, International Conference on Membership Based Organizations of the Poor: Theory, Experience and Poverty, Harvard University, WIEGO, the Cornell University and the SEWA
- Rawski G.T., 2011. "The rise of China's Economy", Foreign Policy Research Institute
- Sean C., Biddulph S., Li K. e Zhu Y., 2007. China's New Labour Contract Law: Responding to the Growing Complexity of Labour Relations in the PRC ,UNSW Law Journal
- Teixeira A., Fortuna N., 2003. Human capital, Innovation Capability and Economic Growth" FEP Working Paper 131,Universidade do Porto
- Traub-Merz R., 2011. All China Federation of Trade Unions: Structure, Functions and the Challenge of Collective Bargaining", Global Labor University, ILO
- Wang H. e Sun L., 2007. The ACFTU demands that McDonald's, KFC rectify employment violations. Disponibile online al sito: [http://www.ycwb.com/xkb/2007-04/01/content\\_1433829.htm](http://www.ycwb.com/xkb/2007-04/01/content_1433829.htm).
- Wang, J., Ding J. e Zheng L, 2011. Number of Union Members in China online at <http://acftu.worker.cn/c/2011/01/19/110119035651333301528.html>.

- Wang, M., 2007. Changes of Discrimination against Migrant Workers in China's Urban Labor Market", China Labor Economics, Vol.4, No.1.
- Wang, R., 2008. Welfare Situation of Migrant Workers, in Cai, Fang (eds) Reports on China's Population and Labor No.9---Linking Up Lewis and Kuznets Turning Points, Social Sciences Academic Press
- Warner, M. 1996. Chinese enterprise reform, human resources and the 1994 Labor Law, The International Journal of Human Resource Management
- Zenglein M., 2008. Marketization of the Chinese Labor Market and the Role of Unions, Global Labor University, ILO
- Zhang Y., 2002. Hope for China's Migrant Women Workers, The China Business Review, May-June.
- Zhao Z., 2003. Migration, Labor Market Flexibility, and Wage Determination in China A Review, China Center for Economic Research (CCER), Beijing University, n. E2003007
- Yao Y., 2001. Social Exclusion and Economic Discrimination: The Status of Migrants in China's Coastal Rural Areas, China Center for Economic Research (CCER) Working Paper, n..E2001005.

**Appendix I: SURVEY ON TUSCANY REGION (ITALY) COMPANIES  
SET IN JIANGSU PROVINCE (CHINA)**

**调查问卷:在中国(江苏省)的托斯卡纳地区的公司<sup>92</sup>**

We would like to invite you to participate in this study by answering a few questions. Your answers are confidential and will not be shared with any other people. The records of this study will be private. Only the people who are doing the study will be able to look at the answers that you give to the questions. You have the right not to be in the study or to stop at any time. If you do not understand a question, please ask me to explain it to you. You are free to stop at any time during the interview. If you do not wish to answer any question, you can do that. It is important to say that there are no right or wrong answers for these questions, just tell us what you think or feel. Ask us if there is anything that is not clear or if you would like more information.

我们很真诚地邀请您参加本次调研。您所做的回答内容是严格保密的，不会被其他任何人所利用。有关这项研究的记录也是保密的，只有做这项研究的人能够看您所填的内容。您有权不参加这次研究，或中途退出。如果您不愿意回答任何问题，您可以不回答。重要的并不是正确或错误的回答这些问题，而是说出你的想法和感受。

THE QUESTIONNAIRE IS DIVIDED INTO 2 PARTS:

问卷分为两部分：

PART I: INDIVIDUAL QUESTIONNAIRE (FOR EMPLOYEES). WE HAVE TO DECIDE THE NUMBER OF EMPLOYEES TO INTERVIEW FOR EACH ENTERPRISE

第一部分：个人调查表（员工）。决定每个企业的员工数量采访

PART II: ENTERPRISE QUESTIONNAIRE: ENTERPRISE GM/OWNER

第二部分：企业问卷调查：企业总经理/业主

**PART I: EMPLOYEE SURVEY (员工调查- 被访者工作的基本信息)**

---

<sup>92</sup> The original version is here reported. The underlined questions are the ones which have not been approved by Jiangsu Trade Union (JFTU).



## GENERAL INFORMATION

Q1 Please select your department.

请选择您的单位。

General & Administrative-行政

Sales-销售

Marketing-市场营销

Support-支持

Manufacturing-制造业

Q2 How long have you worked in this company?

您在这个公司工作多久了？

9. Less than 3 months-不到3个月

10. 3 months to less than 1 year-3个月至1年以内

11. 1 to 3 years-1至3年

12. 4 to 6 years-4至6岁

13. 7+ years-7年以上

Q3 Overall, how satisfied are you about your company?

总体而言，您对您的公司有多满意？

10. Extremely dissatisfied-非常不满意

11. Somewhat dissatisfied-有些不满意

12. Neutral-中性

13. Somewhat satisfied-有些在线北京

14. Extremely satisfied-非常满意

## WORK EXPERIENCE (工作经验)

Q4 Overall, my work experience at this is satisfying and rewarding.

总的来说，我在这的工作经验是满意的和有益的。

11. Strongly disagree-强烈反对

12. Disagree-不同意

13. Neutral-中性

14. Agree-同意

15. Strongly agree-强烈同意

## WORKING CONDITION EVALUATION 工作条件 (sarà possibile fare queste domande solo alle aziende che aderiscono al sindacato)

1 Very bad极坏的    2 Bad不好    3 Just so so一般    4 Good 好    5 Very good非常好

Q5.1 Air quality 空气质量 |\_\_|

Q5.2 Smell 气味 |\_\_|

- Q5.3 Noise 噪音 ☐
- Q5.4 Dust 灰尘 ☐
- Q5.5 The length of working time 工作时间 ☐
- Q5.6 The Working Intensity 工作强度 ☐
- Q5.7 Achievability you get from working 工作的成就感 ☐
- Q5.8 Salary 工资 ☐

## WAGE AND COMPENSATION 工资

Q6 How are you paid for your job? 你的工资是怎么支付的?

1. on piece rate 按件支付 ☐
2. on time basis 按时间支付 ☐

Q6.1 If paid on piece rate, what is the rate?

如果是按件支付，多少钱一件?

Q6.2 If paid on time basis, what is the frequency?

如果是按时间来支付，多久支付一次? (周、月) ☐

Q6.3 How many days do you work per week? 你每周工作几天? ☐☐

Q6.4 How many hours do you work per day? 你每天工作多少个小时? ☐☐

Q7 Were you sick in the last six months?

过去六个月生过病吗?

1. yes 是 ☐ ☐
2. no 没有 ☐ ☐

Q7.1 Type of illness 如果是，说明疾病类型 ☐☐☐☐☐☐☐☐☐☐

Q8. If you are sick, do you receive your daily salary?

如果你生病了，有日工资吗?

1. yes 是 ☐ ☐
2. no 没有 ☐ ☐

Q9. Are you a member of any association in your community? 你是某社团的成员吗?

1. yes 是 ☐ ☐
2. no 没有 ☐ ☐

Q9.1 If yes, which is the aim of this association?

如果是，这个社团的目标是什?

1. better bargaining-生意上的谈判 ☐
2. better conditions-获得更好的生活或工作条 ☐
3. cultural aspects- 文化交流方面 ☐ ☐

Q9.2 If no, are you interested in joining such a community? 如果不是，你对参加某社团感兴趣吗？

1. yes 是 ☐ ☐

2. no 没有 ☐ ☐

Q9.3 If yes, why? 如果是，什么类型的社团？

1. better bargaining-生意上的谈判 ☐

2. better conditions-获得更好的生活或工作条件 ☐

3. cultural aspects- 文化交流方面 ☐ ☐

## PART II: COMPANY PROFILE 公司介绍

Company Code

CODE:|c|c|= Company code (公司编号)

THIS PART CAN BE FILLED BY THE COMPANY GM这部分可以被公司总经理填补

### ENTERPRISE GENERAL INFORMATION

Q10. The Name of your Enterprise: (企业/公司名称)

Q10.1 Describe the main products or service of your enterprise briefly:

(请简要描述贵企业的主要产品或服务项目):

Q10.2: Which is your main business in China?

这是你在中国的主要业务？

1. Manufacture and sell 生产和销售 ☐

2. Manufacture but not sell 制造，但不销售 ☐

3 Sell 销售 ☐

Q10.3 Company headquarters in Tuscany Region

托斯卡纳大区的总公司

Year of foundation in Italy: 贵企业成立于  年

Q11. characteristics of your enterprise 贵公司性质

Q11.1 the company belongs to(所属行业)

1. textile 纺织 ☐

2. costume 服装/剪裁 ☐

3. portfolio/leather 皮包/皮革 ☐

4. other其它 ☐

Q11.2 Is it a branch company of a business group?

(它是一个企业集团的分公司吗)?

1. yes是 ☐

2. no否 ☐

Q11.3 autonomous production or OEM?自主生产还是贴牌加工?

1. autonomous production 自主生产 ☐

2. OEM 为其他企业进行代工生产 ☐

Q12. When did it set up in China(year)?

贵公司成立于\_\_\_\_年:

Q13. Is Your company present in other foreign countries?

该公司是目前在其他国家呢?

1 Yes 是☐

2 No 没有☐

Q13.1 Global number of employees 全球员工人数\_\_\_\_

Q13.2 Current number of employees in China

在中国目前的员工人数\_\_\_\_

Q13.3 How many italian employees?

企业里有意大利员工\_\_\_\_人

#### TURNOVER

Q14 2011 total turnover 2011总营业额 (百万欧元,mln of euros)

<2☐

2-10☐

11-50☐

51-200☐

Q14.3 Company's foreign turnover 公司的国外营业额

Percentage(百分比) \_\_\_\_

Q14.4 2011 turnover in China 在中国的2011年营业额

(百万欧元,mln of euros)

<2☐

2-10☐

11-50☐

51-200☐

## *SELLING AND DISTRIBUTION*

Q15. Specify to whom you sell your products

说明你的产品是卖给谁

1. Direct to the consumer 直接卖给消费者 ☐
2. Direct to the retailer 直接卖给零售商 ☐
3. Direct to the wholesaler 直接卖给批发商 ☐
4. through an independent sale representative ☐  
通过独立的销售代表
5. through a consortium with other manufactures 和其他制造商通过协会 ☐
6. other 其他, 说明 ☐

Q16 Where are the outlets at which your products can be bought? 贵公司主要产品的销售范围?

1. local area 本地 ☐
2. rest of state 省内其余地方 ☐
3. rest of country 国内其他地方 ☐
4. abroad 国外 ☐

Q17. Where are your orders? (你的供应商是哪里的)

1. in Italy 在意大利 ☐
2. in China 在中国 ☐
3. international 国际上的 ☐

Q18. How do you get the materials for production? (你是怎么得到生产材料)

1. from orders 从其他制造商那里得到的订单 ☐
2. buy by myself 自己从本地批发商那里购买 ☐
3. other 从其他地方 ☐

Q19. Could you invest in new technology? 你能在新技术投资?

1. yes 是 ☐
2. no 否 ☐

## *ENTRANCE TO THE CHINESE MARKET*

进入中国市场: 主要理由和方法

Q20: How did you enter in the chinese market? 您是如何进入中国市场?

- 1 Collaborations / Strategic alliances 合作 ☐
- 2 Direct investment 直接投资 ☐

Q21: In your opinion, on a strategic and operations level, how important have the following factors been to ease your company's entrance in the Chinese market?

在您看来，下列因素有多么重要，以纾缓贵公司进入中国市场？

- 1 The company's global vision 该公司的全球视野 ☐
- 2 The company's entrepreneurship 该公司的创业精神 ☐
- 3 The internationally recognized brand 国际公认的品牌 ☐
- 4 The already consolidated international experience in other countries 已经合并的国际经验其他国家 ☐
- 5 The company's know how 该公司知道如何 ☐
- 6 The availability of additional financial resources to invest in the Chinese market 提供额外的财政资源在中国市场投资 ☐
- 7 The numerous informal and personal relationships with partners in the Chinese market 许多非正式和个人在中国市场的合作伙伴关系 ☐
- 8 The relationships with governmental bodies and institutions able to provide support and assistance 政府能够提供支持和援助的组织和机构的关系 ☐

Q22 Among the factors listed above, which are the ones that favored your entrance in the Chinese market the most? 在上述因素，哪一些最帮您的公司进入中国中国市场？

- 1 First ☐ ☐
- 2 Second ☐ ☐
- 3 Third ☐ ☐